



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended
June 30, 2017 and June 30, 2016

Prepared by the
MTC Finance Section

State of California



Metropolitan Transportation Commission

Front Cover Credits (Clockwise from upper left):

Opening of Warm Springs BART Station: *Noah Berger*

Clipper 10th anniversary logo

Express Lane sign: *Noah Berger*

I-580 Improvement Project: *Rendering of bicycle/pedestrian lane on upper deck of Richmond-San Rafael Bridge*



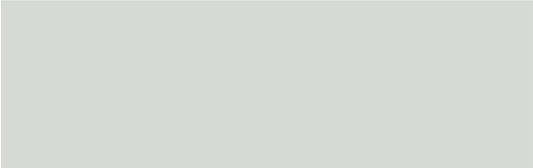
METROPOLITAN
TRANSPORTATION
COMMISSION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Years
Ended June 30, 2017 and
June 30, 2016**

Prepared by the
MTC Finance Section

State of California



Metropolitan Transportation Commission

Table of Contents

June 30, 2017 and 2016

	<i>Page</i>
Introductory Section	
Letter of Transmittal	i-iii
Organizational Chart	iv
List of Commissioners and Appointed Officials	v
Certificate of Achievement For Excellence in Financial Reporting	vi
Financial Section	
Report of Independent Auditors	1 - 3
Management's Discussion and Analysis	4 - 17
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	18 - 19
Statement of Activities	20 - 21
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds, and Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	22 - 25
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	26 - 27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	28
Proprietary Fund Financial Statements	
Statement of Net Position - Proprietary Funds	29 - 30
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	31 - 32
Statement of Cash Flows - Proprietary Funds	33 - 36
Fiduciary Fund Financial Statements	
Statement of Fiduciary Assets and Liabilities - Agency Funds	37

Metropolitan Transportation Commission

Table of Contents

June 30, 2017 and 2016

	<i>Page</i>
Notes to the Financial Statements	
Summary of Significant Accounting Policies	38 - 54
Net Position	55
Cash and Investments	55 - 60
Capital Assets	61 - 64
Long-Term Debt	65 - 74
Leases	75
Interfund Receivables, Payables and Transfers	76 - 78
Employees' Retirement Plan	78 - 84
Post Employment Healthcare Benefits	84 - 87
Commitments and Contingencies	87 - 88
Risk Management	88
Related Party Transactions	88 - 89
Subsequent Events	89
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	91
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - AB 664 Net Toll Revenue Reserves Fund	92
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - State Transit Assistance Fund	93
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Rail Reserves Fund	94
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - BART Car Exchange Fund	95
Schedules of Funding Progress	96
Schedule of Changes in the Net Pension Liability (unaudited)	97
Schedule of Employer Contributions (unaudited)	98
Other Supplementary Information	
Combining Balance Sheet - Non-Major Governmental Funds	100
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	101
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Transit Reserves Fund	102
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Exchange Fund	103
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Feeder Bus Fund	104
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Prop 1B Fund	105
Schedule of Expenditures by Natural Classification	106
Schedule of Overhead, Salaries and Benefits Expenditures - Governmental Funds	107
Schedule of Expenditures - Federal Highway Administration Grant	
FY2017 OWPMTC	108
Toll Bridge Rate Schedule	109
Schedule of Computations Demonstrating Bond Covenant Compliance - BATA Proprietary Fund	110 - 111

Metropolitan Transportation Commission

Table of Contents

June 30, 2017 and 2016

	<i>Page</i>
Schedule of Operating Revenues and Expenses - BATA Proprietary Fund - By Bridge	112
Combining Statement of Changes in Assets and Liabilities by Participant - Agency Funds	113 - 115
Statement of Cash Collections and Disbursements - Agency Fund/ Clipper® Program	116
Schedule of Interest Rate Swaps Summary - BATA Proprietary Fund	117
Schedule of Interest Rate Swaps for Series 2001 - BATA Proprietary Fund	118
Schedule of Interest Rate Swaps for Series 2006 - BATA Proprietary Fund	119
Schedule of Interest Rate Swaps for Series 2007 - BATA Proprietary Fund	120
Schedule of SIFMA Rate Swaps for Series 2008 F-1 - BATA Proprietary Fund	121
 Statistical Section	
Financial Trends	
Net Position by Component	123
Changes in Net Position	124 - 125
Fund Balances of Governmental Funds	126
Changes in Fund Balances of Governmental Funds	127
Revenue Capacity	
Primary Government Revenues	128
Primary Government Expenses by Function	129
Toll Revenues - by Bridge	130
Paid and Free Vehicles - by Bridge (in Number of Vehicles)	131
Average Toll Rate Revenues - by Bridge	132
Debt Capacity	
Ratios of General Bonded Debt Outstanding	133
Pledged-Revenue Coverage	134
Demographic and Economic Information	
Miscellaneous Statistics at June 30, 2017	135
Demographic Statistics for Nine San Francisco Bay Area Counties	136
Ten Largest Employers	137
Operating Information	
Full-Time Equivalent Employees by Function	138
Ratio of Retiree Medical Premium to Covered Payroll	139



October 25, 2017

Jake Mackenzie, Chair
Sonoma County and Cities

Scott Haggerty, Vice Chair
Alameda County

Alicia C. Aguirre
Cities of San Mateo County

Tom Azumbrado
U.S. Department of Housing
and Urban Development

Jeannie Bruins
Cities of Santa Clara County

Damon Connolly
Marin County and Cities

Dave Cortese
Santa Clara County

Carol Dutra-Vernaci
Cities of Alameda County

Dorene M. Giacomini
U.S. Department of Transportation

Federal D. Glover
Contra Costa County

Anne W. Halsted
San Francisco Bay Conservation
and Development Commission

Nick Josefowitz
San Francisco Mayor's Appointee

Jane Kim
City and County of San Francisco

Sam Liccardo
San Jose Mayor's Appointee

Alfredo Pedroza
Napa County and Cities

Julie Pierce
Association of Bay Area Governments

Bijan Sartipi
California State
Transportation Agency

Libby Schaaf
Oakland Mayor's Appointee

Warren Stocum
San Mateo County

James P. Spering
Solano County and Cities

Amy R. Worth
Cities of Contra Costa County

Steve Heminger
Executive Director

Alix Bockelman
Deputy Executive Director, Policy

Andrew B. Fremier
Deputy Executive Director, Operations

Honorable Chair
Members of the Metropolitan Transportation Commission

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Metropolitan Transportation Commission (MTC), its blended and discretely presented component units and fiduciary funds for the fiscal year ended June 30, 2017. State law requires that MTC and its component units publish a complete audited financial statement within six months of the close of each fiscal year.

Responsibility for both accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with the management and staff of MTC. To the best of our knowledge, we believe this report to be complete and reliable in all material respects. To provide a reasonable basis for making these representations, management of MTC has established a comprehensive system of internal controls designed to both protect the government's assets from loss or misuse and to compile the information necessary to produce financial statements in conformity with Generally Accepted Accounting Principles (GAAP) and reported in a manner that presents fairly the financial position and operating results of MTC, its blended and discretely presented component units and fiduciary funds as of June 30, 2017. Because the cost of internal controls should not outweigh their benefits, MTC's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

The goal of the independent audit is to provide reasonable assurance that the financial statements presented here for the fiscal year ended June 30, 2017, are free of material misstatement. In addition MTC is required to undergo a Single Audit of Federal Programs conducted under the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The agency's independent auditors, PricewaterhouseCoopers LLP, have issued an unmodified opinion on the Metropolitan Transportation Commission's financial statements for the year ended June 30, 2017. The report of independent auditors is located in the front of the financial section of this report.

GAAP also requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements. This narrative is presented in the form of Management's Discussion and Analysis (MD&A), which can be found immediately following the report of the independent auditors.

The CAFR for the fiscal year ended June 30, 2017, includes financial information for all funds, accounts and fiduciary activities for which MTC has financial accountability. MTC also participates in numerous boards, groups and associations. While MTC participates in such activities, MTC does not have an ongoing financial interest or administrative control over such entities and, as such, information related to these outside groups and associations are excluded from this report.

Profile of the Government:

MTC was established under the laws of the State of California in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area: Alameda, Contra Costa, Marin, Napa, the City and County of San Francisco, San Mateo, Santa Clara, Solano and Sonoma. The Commission consists of eighteen voting and three non-voting members representing the following:

Agency	Voting Members	Non-Voting Members
Alameda County	3	
Contra Costa County	2	
Marin County	1	
Napa County	1	
City & County of San Francisco	2	
San Mateo County	2	
Santa Clara County	3	
Solano County	1	
Sonoma County	1	
Association of Bay Area Governments (ABAG)	1	
San Francisco Bay Conservation & Development Commission	1	
U.S. Department of Transportation		1
U.S. Department of Housing & Urban Development		1
California State Transportation Agency		1
Total:	18	3

Each commissioner’s term of office is four years or until a successor is appointed.

MTC commissioners also serve as the governing authority for MTC Service Authority for Freeways & Expressways (MTC SAFE), and the Bay Area Toll Authority (BATA). The Commission is responsible for adopting budgets for operating and project costs, as well as setting general policy direction. An Executive Director appointed by the Commission is responsible for carrying out Commission direction and day-to-day administration of MTC and its employees. Some of the commissioners are also members of the Bay Area Headquarters Authority (BAHA) and Bay Area Infrastructure Financing Authority (BAIFA). These are two Joint Powers Authorities exercising joint powers between MTC and BATA.

Awards and Acknowledgments:

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Transportation Commission for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the fourteenth consecutive year that MTC has received this prestigious award. In order to be awarded a Certificate of Achievement,

MTC had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the dedicated service of the finance staff. I thank the MTC finance staff for their hard work and dedication in producing this report in an accurate and timely manner.

Sincerely,

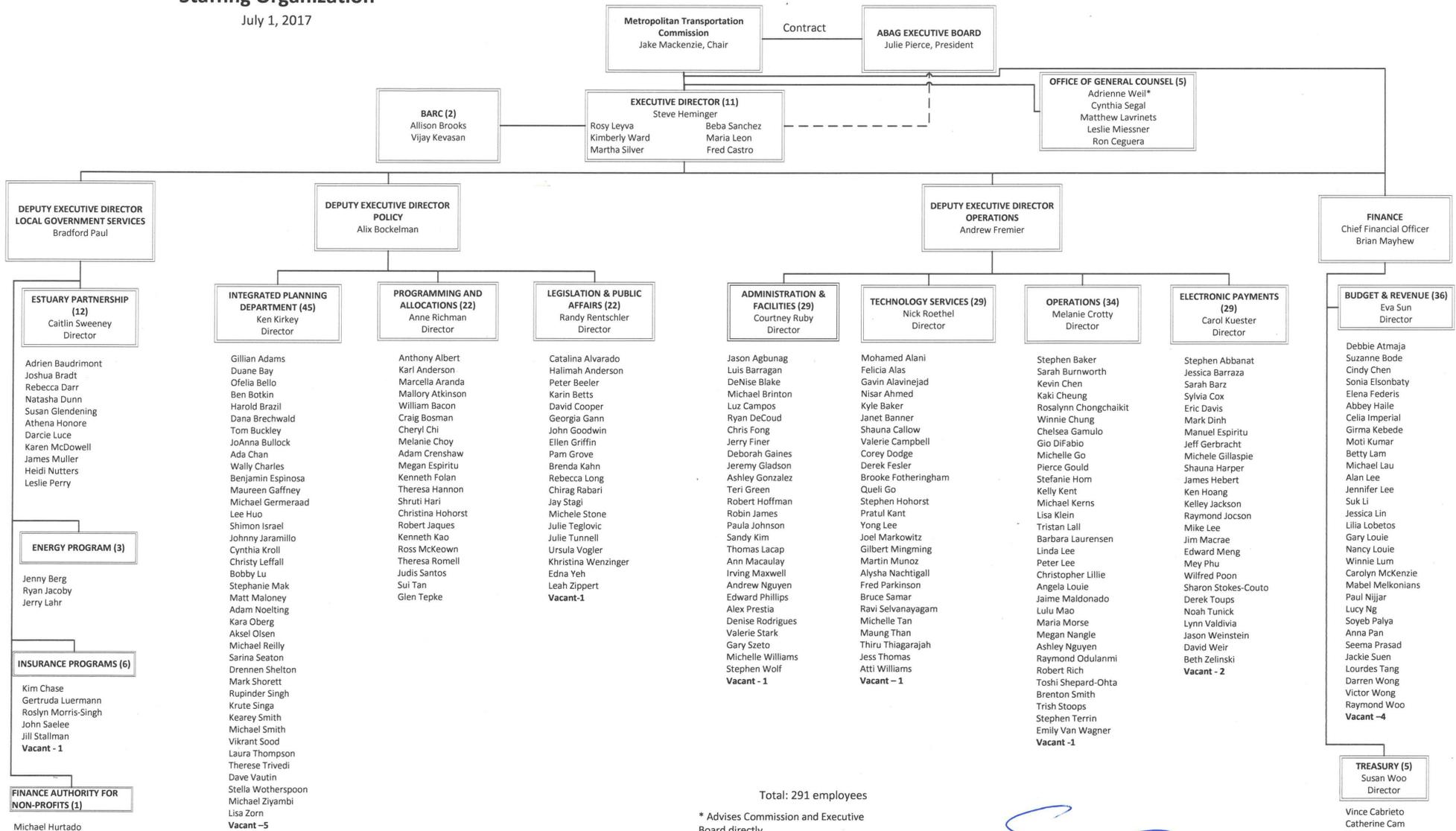
A handwritten signature in black ink, appearing to read 'B Mayhew', with a long horizontal flourish extending to the right.

Brian Mayhew
Chief Financial Officer

Metropolitan Transportation Commission

Staffing Organization

July 1, 2017



Total: 291 employees

* Advises Commission and Executive Board directly


Steve Heminger
Executive Director

COMMISSIONERS

Jake Mackenzie, Chair	Sonoma County and Cities
Scott Haggerty, Vice Chair	Alameda County
Alicia C. Aguirre	Cities of San Mateo County
Tom Azumbrado	U.S. Department of Housing and Urban Development
Jeannie Bruins	Cities of Santa Clara County
Damon Connolly	Marin County and Cities
Dave Cortese	Santa Clara County
Carol Dutra-Vernaci	Cities of Alameda County
Dorene M. Giacomini	U.S. Department of Transportation
Federal D. Glover	Contra Costa County
Anne W. Halsted	SF Bay Conservation and Development Commission
Nick Josefowitz	San Francisco Mayor's Appointee
Jane Kim	City and County of San Francisco
Sam Liccardo	San Jose Mayor's Appointee
Alfredo Pedroza	Napa County and Cities
Julie Pierce	Association of Bay Area Governments
Bijan Sartipi	California State Transportation Agency
Libby Schaaf	Oakland Mayor's Appointee
Warren Slocum	San Mateo County
James P. Spering	Solano County and Cities
Amy R. Worth	Cities of Contra Costa County

APPOINTED OFFICIALS

Steve Heminger	Executive Director
Adrienne Weil	Legal Counsel



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Metropolitan Transportation Commission
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



Report of Independent Auditors

To the Commissioners of the Metropolitan Transportation Commission:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the fiduciary funds of the Metropolitan Transportation Commission (the "Commission") as of and for the years ended June 30, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the fiduciary funds of the Metropolitan Transportation Commission at June 30, 2017 and 2016 and, where applicable, the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis ("MD&A") on pages 4 through 17 and other required supplementary information ("RSI") on pages 90 through 98 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The supplementary schedules identified in the table of contents under Other Supplementary Information and appearing on pages 99 through 121 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, these supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Statistical Section

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The charts, schedules and other information identified in the table of contents under the Statistical Section and appearing on pages 122 through 139 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

PricewaterhouseCoopers LLP

San Francisco, California
October 25, 2017

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Management's Discussion and Analysis (unaudited - \$ in thousands)

Management's Discussion and Analysis

This section presents an overview of the financial activities of the Metropolitan Transportation Commission (MTC), as well as its blended and discretely presented component units as discussed separately below for the years ended June 30, 2017 and 2016. Except as otherwise stated, all amounts described below are expressed in thousands of dollars.

A. Financial Highlights

Fiscal year 2017 was another busy and productive year for MTC and for the nine-county region. Sales tax and toll revenue continued to increase as the economy showed signs of improvement from the previous year. The following are some of the highlights from fiscal year 2017:

- Sales tax revenue in the region has increased for seven straight years, increasing by 48.3% since fiscal year 2010.
- In May 2017, MTC and the Association of Bay Area Government (ABAG) signed a Contract for Services, whereas effective July 1, 2017, ABAG's legacy employees became MTC's employees, and all previous ABAG operations are now run by MTC under the contract.
- In June 2017, both Bay Area Air Quality Management District (BAAQMD) and ABAG exercised their lease purchase options to buy a condominium interest in the Bay Area Metro Center (BAMC) office spaces at 375 Beale Street, San Francisco.
- Clipper[®], the region's smart card program for public transit, hit a 10-year milestone in November 2016 with 1.79 million active cards in use.
- Bay Area Rapid Transit's (BART) extension from Fremont to the new Warm Spring/ South Fremont station opened for passenger rail service in March 2017.
- The construction of MTC's first Express Lane project on I-680 Southbound between Walnut Creek and San Ramon was completed in March 2017. The Express Lane System is currently undergoing testing and the lane is scheduled to open in late 2017.

MTC and its operating units continue to provide regional resources for seismic and transportation projects. All MTC operating units, MTC, BATA and MTC Service Authority for Freeways and Expressways (MTC SAFE) adopted FY 2016-2017 balanced budgets.

B. Overview of the Financial Statements

The government-wide financial statements provide an overview of MTC, as well as its blended and discretely presented component units. The government-wide financial statements comprise a Statement of Net Position, a Statement of Activities and accompanying notes. The Statement of Net Position presents financial information on the government-wide net position of MTC at the end of the 2017 and 2016 fiscal years. The difference between the assets plus deferred outflows and liabilities plus deferred inflows is reported as "Net Position."

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Management's Discussion and Analysis (unaudited - \$ in thousands)

The Statement of Activities presents government-wide information showing the change in net position resulting from revenues earned and expenses incurred during the 2017 and 2016 fiscal years. All changes in net position are recorded as revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

MTC is composed of governmental and business-type funds and activities as well as two discretely presented component units. The governmental funds are comprised of the general fund, the special revenue funds and the capital project funds. The business or proprietary funds are MTC Clipper[®], BATA, MTC SAFE, the Bay Area Infrastructure Authority (BAIFA), and the Bay Area Headquarters Authority (BAHA).

MTC Clipper[®] is an enterprise fund that oversees the region's smartcard program. BATA and MTC SAFE are blended component units (legally separate) whose transactions are presented as business-type funds. BAIFA and BAHA are discretely presented component units on the government-wide financial statements. There is no activity for BAIFA in both fiscal years 2017 and 2016, nor assets, liabilities, nor net position at either June 30, 2017 or 2016. MTC also holds and administers three fiduciary funds further described in Section C below and in Note 1.B to the financial statements.

The government-wide Statement of Net Position and Statement of Activities are presented on pages 18 - 21 of this report with the accompanying notes being presented on pages 38 - 89.

C. Overview of the Fund Financial Statements

i.) Governmental Funds

Governmental funds are used to account for MTC activities and are supported primarily by grants, sales taxes, and intergovernmental revenue sources. Governmental funds financial statements provide additional information not provided in the government-wide statements in that they focus on the annual inflows and outflows of resources as well as on the balance of resources available to be spent at fiscal year-end rather than the longer term focus of governmental activities as seen in the government-wide financial statements. The governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison of governmental funds to governmental activities.

MTC's governmental funds include a general fund, four major special revenue funds and other non-major funds. The financial statements of the governmental funds, prepared under the modified accrual basis of accounting are on pages 22 - 28 of this report. A schedule detailing the non-major special revenue funds is included on pages 100 - 101 of this report.

MTC adopts annual budgets for all funds. However, a comparison of budget-to-actual is required only for certain governmental funds (major funds) and these are presented on pages 91 - 95 of this report. A comparison of budget to actual is also presented for non-major funds on pages 102 - 105.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Management's Discussion and Analysis (unaudited - \$ in thousands)

ii.) Proprietary Funds

Proprietary funds are used to report business-type activities. MTC has three proprietary funds: MTC Clipper[®], BATA and MTC SAFE. BATA and MTC SAFE are presented as blended component units of MTC as proprietary funds on the government-wide and fund financial statements. MTC administers the Clipper[®] program, which handles the implementation and ongoing operations of the Bay Area smart card. This system allows transit riders to pay fares throughout the Bay Area utilizing a single "smart" fare card when boarding bus, light rail, train or ferry transportation. BATA is responsible for collection and administration of all toll funds and has funding oversight responsibility for Caltrans maintenance activities for the seven state-owned bridges in the San Francisco Bay Area. BATA also has funding and administrative oversight responsibilities for the Regional Measure 1 (RM 1) and Regional Measure 2 (RM 2) programs approved by the voters in 1988 and 2004, respectively as well as the \$8.8 billion seismic retrofit program. MTC SAFE administers a freeway motorist aid system providing tow truck and call box services to stranded motorists in the nine Bay Area counties.

The financial statements of the proprietary funds are prepared on an accrual basis and are on pages 29 - 36.

iii.) Fiduciary Funds

Fiduciary funds are used to account for resources held in a trust or agent capacity for the benefit of parties outside MTC. These funds are not reflected in the government-wide financial statements, as the resources cannot be used to support the programs of MTC or those of its component units. The fiduciary funds of MTC use the economic resources measurement focus and the accrual basis of accounting.

MTC has three fiduciary funds: Transportation Development Act (TDA), BART Half-Cent Sales Tax (AB 1107), and the Clipper[®] funds. Revenue for the first two of these funds is derived from sales tax revenues. The revenue for the TDA fund is deposited in MTC's name as fiduciary with the respective treasurer in each of the nine counties in the region. Revenue for the AB 1107 fund is deposited with the State of California. MTC has administrative oversight for the allocation of these funds. The Clipper[®] fiduciary fund, used for the Clipper[®] smart card program, tracks the cash balances and receivables held on behalf of the Clipper[®] program, as well as the patron liability for the prepaid card balance.

The fiduciary funds financial statements are presented on page 37 of this report.

iv.) Discretely Presented Component Unit

The Bay Area Headquarters Authority (BAHA) was established in September 2011 as a separate public entity pursuant to the California Joint Exercise of Powers Act, to plan, acquire, and develop the new MTC/BATA office space and facilities and undertake related activities on behalf of MTC and BATA.

BAHA is presented as a proprietary fund in the discretely presented component unit column of the government-wide financial statements because BAHA does not meet the criteria for blending under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Management's Discussion and Analysis (unaudited - \$ in thousands)

D. Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

E. Government-Wide Financial Analysis

Total government-wide liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources for fiscal year 2017 by \$6,192,472 and for fiscal year 2016 by \$6,178,517 as illustrated in the following table. This represents decreases in net position for fiscal year 2017 of \$13,955 and \$237,369 for fiscal year 2016. The cause of the net position deficit for both years is mainly from the impact of BATA financing of the bridges' toll projects while Caltrans and the State of California own title to the bridges. As such, the asset value of the bridges is recorded at the State of California and not on BATA's books. In fiscal year 2016, the implementation of GASB Statement No. 72, *Fair Value Measurement and Application*, resulted in a decrease in the government-wide, business-type activities beginning net position by \$57,193. Refer to Note 5 to the financial statements for further information.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Management's Discussion and Analysis (unaudited - \$ in thousands)

i.) Statement of Net Position

The following table shows a summary of MTC's government-wide statements of net position for the last three years:

	Metropolitan Transportation Commission's Statement of Net Position								
	Governmental Activities			Business-Type Activities			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Cash and investments	\$ 818,161	\$ 835,265	\$ 902,925	\$ 2,886,639	\$ 2,791,326	\$ 2,975,610	\$ 3,704,800	\$ 3,626,591	\$ 3,878,535
Receivables	74,570	83,332	68,103	50,644	53,313	46,072	125,214	136,645	114,175
Other assets	9,110	8,689	8,712	412	1,371	1,122	9,522	10,060	9,834
Capital assets	593	5,359	5,104	78,054	56,525	28,516	78,647	61,884	33,620
Total assets	902,434	932,645	984,844	3,015,749	2,902,535	3,051,320	3,918,183	3,835,180	4,036,164
Deferred outflows	9,289	5,907	2,564	327,324	342,414	357,793	336,613	348,321	360,357
Other liabilities	103,003	79,666	133,017	340,476	387,747	376,520	443,479	467,413	509,537
Long term liabilities	25,598	21,260	18,463	9,973,192	9,866,264	9,802,658	9,998,790	9,887,524	9,821,121
Total liabilities	128,601	100,926	151,480	10,313,668	10,254,011	10,179,178	10,442,269	10,354,937	10,330,658
Deferred inflows	365,493	385,146	404,145	(360,494)	(378,065)	(397,134)	4,999	7,081	7,011
Net position:									
Net investment in capital assets	364	5,072	5,080	78,054	56,525	28,516	78,418	61,597	33,596
Restricted	489,425	471,623	392,812	200,266	203,559	200,000	689,691	675,182	592,812
Unrestricted (deficit)	(72,160)	(24,215)	33,891	(6,888,421)	(6,891,081)	(6,601,447)	(6,960,581)	(6,915,296)	(6,567,556)
Total net position	\$ 417,629	\$ 452,480	\$ 431,783	\$ (6,610,101)	\$ (6,630,997)	\$ (6,372,931)	\$ (6,192,472)	\$ (6,178,517)	\$ (5,941,148)

Total cash and investments increased by \$78,209 from fiscal year 2016 to fiscal year 2017 and decreased by \$251,944 from fiscal year 2015 to fiscal year 2016. The increase in fiscal year 2017 for the business-type activities of \$95,313 is mainly due to the \$300 million new bond issuance less drawdowns of bond proceeds for project expenses. The decrease in fiscal year 2016 for the business-type activities of \$184,284 is due to the drawdowns for project expenses. The decrease in the governmental funds of \$17,104 and \$67,660 for fiscal years 2017 and 2016, respectively, is due to project drawdowns from the Rail and AB664 special revenue funds and offset by BART's payments for the BART Car Exchange fund.

Deferred outflows decreased by \$11,708 or 3.4 percent in fiscal year 2017 following a decrease of \$12,036 or 3.3 percent in fiscal year 2016. The decrease in fiscal year 2017 is due to the amortization of the deferred amount of refunding of \$17,196 offset by the increase in the deferred outflows from pension of \$5,488. The decrease in fiscal year 2016 is due to the amortization of the deferred amount of refunding of \$17,205 offset by the increase in the deferred outflow from pension of \$ 5,170.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Management's Discussion and Analysis (unaudited - \$ in thousands)

Long-term liabilities increased by \$111,266 or 1.1 percent in fiscal year 2017 after an increase of \$66,403 or 0.7 percent in fiscal year 2016. The increase in fiscal year 2017 is due to the increase in the long-term bond payable of \$260,238 (new bonds issuance) and pension liability of \$6,885 offset by a decrease in the valuation of derivative instruments liability of \$155,539 and patron deposits of \$370. The increase in fiscal year 2016 is due to an increase in the valuation of derivative instruments liability of \$130,193, pension liability of \$3,544, compensated absences of \$522 and patron deposits of \$1,800 offset by the decrease in long-term bonds payable of \$69,656.

Other liabilities decreased by \$23,934 and \$42,124 in fiscal years 2017 and 2016 respectively. Both fiscal years had a timing difference in securities payable, that is the timing between the purchase and settlement of a security that crosses over year end. The remaining difference for both years was mainly an increase in accounts payable and decrease in accounts payable for both fiscal 2017 and 2016 years, respectively.

The total net position decreased by \$13,955 or 0.2 percent in fiscal year 2017 following a decrease of \$237,369 or 4.0 percent in fiscal year 2016. The net position of the business-type activities increased by \$20,896 in fiscal year 2017 mainly due to the \$300,000 new bonds issuance offset by the drawdowns of bond proceeds for project expenses and the decrease in fiscal year 2016 by \$258,066 is mainly due to the drawdowns of funds related to the Seismic Retrofit, Regional Measure 2 (RM 2) and rehabilitation capital programs. BATA is the financing arm for the RM 2, Seismic Retrofit and rehabilitation programs. The bond proceeds from BATA's debt obligations are used to reimburse Caltrans for capital construction costs on the seven state-owned toll bridges. Since the bridges are not capitalized under BATA and title remains with Caltrans, the combination of distributions to Caltrans and increased debt to pay for project expenditures creates a negative asset, or deficit. The deficit will be eliminated by future toll revenues as projects are completed and debt service payments retire the outstanding bonds. The net position of governmental activities decreased by \$34,851 in 2017 is mainly due to the reduction of STA receivables as only the fourth quarter payment is due from the State at the end of the fiscal year. The increase in the net position in fiscal year 2016 of \$20,697 is mainly due to an increase in STA receivables as both the third and fourth quarter were due at the end of the fiscal year.

ii.) Statement of Activities

The net position for governmental activities decreased in fiscal year 2017 and increased in fiscal year 2016, and the net position for business-type activities increased in fiscal year 2017 and decreased in fiscal year 2016. The decrease in net position in governmental activities in 2017 is due to an increase in allocation to other agencies expenses offset by the gain on sale of capital assets and an increase in operating grants from local agencies. The increase in net position for governmental activities in 2016 is due to the decrease in expenditures resulting from a decrease in STA Allocations, a decrease in rail expenditures and additional payments from BART for the BART Car Replacement project.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Management's Discussion and Analysis (unaudited - \$ in thousands)

The increase in net position for business-type activities for fiscal year 2017 is due to the \$300,000 new bond issuance less drawdowns of bond proceeds for project expenses. The decrease in fiscal year 2016 is the result of increases in BATA project financing and expense activities.

A breakdown of this activity is illustrated in the table below:

<u>Metropolitan Transportation Commission's Statement of Activities</u>									
	Governmental Activities			Business-Type Activities			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Revenues:									
Program Revenues:									
Charges for service	\$ -	\$ -	\$ -	\$ 772,292	\$ 760,872	\$ 740,511	\$ 772,292	\$ 760,872	\$ 740,511
Operating grants and contributions	247,211	233,919	303,823	88,931	102,705	95,622	336,142	336,624	399,445
Capital grants and contributions	-	-	-	9,220	3,559	-	9,220	3,559	-
General revenues:									
Investment earnings	4,257	2,877	2,013	171,808	(175,358)	(277,337)	176,065	(172,481)	(275,324)
Return of contribution from BAHA	-	-	-	29,700	-	-	29,700	-	-
Gain on sale of capital assets	6,628	-	-	1,378	-	-	8,006	-	-
Total revenues	258,096	236,796	305,836	1,073,329	691,778	558,796	1,331,425	928,574	864,632
Expenses:									
General government	103,883	77,038	81,168	-	-	-	103,883	77,038	81,168
Allocation to other agencies	204,295	156,045	195,039	-	-	-	204,295	156,045	195,039
Toll bridge activities	-	-	-	980,645	935,544	1,008,115	980,645	935,544	1,008,115
Clipper® smart card	-	-	-	45,094	44,090	37,265	45,094	44,090	37,265
Congestion relief	-	-	-	11,463	10,419	11,697	11,463	10,419	11,697
Total expenses	308,178	233,083	276,207	1,037,202	990,053	1,057,077	1,345,380	1,223,136	1,333,284
Change in net position before transfers	(50,082)	3,713	29,629	36,127	(298,275)	(498,281)	(13,955)	(294,562)	(468,652)
Transfers in/(out)	15,231	16,984	15,336	(15,231)	(16,984)	(15,336)	-	-	-
Changes in net position	(34,851)	20,697	44,965	20,896	(315,259)	(513,617)	(13,955)	(294,562)	(468,652)
Net position - Beginning	452,480	431,783	386,818 *	(6,630,997)	(6,315,738) **	(5,859,314) *	(6,178,517)	(5,883,955) **	(5,472,496) *
Net position - Ending	<u>\$ 417,629</u>	<u>\$ 452,480</u>	<u>\$ 431,783</u>	<u>\$(6,610,101)</u>	<u>\$(6,630,997)</u>	<u>\$(6,372,931)</u>	<u>\$(6,192,472)</u>	<u>\$(6,178,517)</u>	<u>\$ (5,941,148)</u>

* In fiscal year 2015, beginning balance was restated due to the adoption of GASB Statement No. 68. See note 1.K to the financial statements for further information.
** In fiscal year 2016, beginning balance was restated due to the adoption of GASB Statement No. 72. See note 1.C to the financial statements for further information.

Management does not believe that Governmental Funds and Business-Type Activities are comparable for analytical purposes. While the combined schedules show a total picture of MTC responsibilities, the two activities must be viewed in their respective parts to evaluate MTC's financial results. State and federal laws restrict MTC's various funding sources to specific responsibilities that cannot be combined or commingled. Additional explanation is included in the discussion of business-type activities as well as the schedule of governmental funds.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Management's Discussion and Analysis (unaudited - \$ in thousands)

F. Financial Analysis of Business-Type Activities

The following table shows the results of operations for the last three years:

	<u>Business-Type Activities</u>								
	Bay Area Toll Authority			MTC SAFE			MTC Clipper		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Revenues:									
Toll revenues	\$ 720,784	\$ 714,132	\$ 694,955	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other operating revenues	26,477	22,830	22,384	6,716	6,590	6,420	18,315	17,319	16,752
Total revenues	747,261	736,962	717,339	6,716	6,590	6,420	18,315	17,319	16,752
Operating expenses:									
Operating expenses incurred by Caltrans/Transbay JPA	29,710	30,193	30,561	-	-	-	-	-	-
Other operating expenses	135,508	119,461	120,114	11,463	10,371	11,534	34,276	33,157	31,418
Total operating expenses	165,218	149,654	150,675	11,463	10,371	11,534	34,276	33,157	31,418
Operating income/(loss)	582,043	587,308	566,664	(4,747)	(3,781)	(5,114)	(15,961)	(15,838)	(14,666)
Nonoperating revenues/(expenses)									
Investment income/(charges)	171,697	(175,381)	(277,339)	72	14	2	39	9	-
BABs interest subsidy	71,298	71,260	70,992	-	-	-	-	-	-
Interest expense	(452,372)	(443,036)	(431,384)	-	-	-	-	-	-
Financing fees	(3,371)	(3,248)	(4,520)	-	-	-	-	-	-
Other nonoperating expense	(10,377)	(710)	(19,621)	-	(1)	(113)	-	-	-
Operating grants	9,535	8,920	8,180	6,574	6,948	8,439	7,280	15,261	4,819
Distributions to other agencies for capital purposes	(349,307)	(337,970)	(363,293)	-	(47)	-	(10,818)	(10,933)	(5,847)
Return of contribution from BAHA	29,700	-	-	-	-	-	-	-	-
Capital contribution to BAHA	-	(926)	(38,623)	-	-	(50)	-	-	-
Gain on sale of capital assets	757	-	-	621	-	-	-	-	-
Other nonoperating revenues	1,525	2,200	1,702	-	-	-	1,939	1,675	1,491
Total nonoperating revenues/(expenses)	(530,915)	(878,891)	(1,053,906)	7,267	6,914	8,278	(1,560)	6,012	463
Change in net position before contribution and transfers	51,128	(291,583)	(487,242)	2,520	3,133	3,164	(17,521)	(9,826)	(14,203)
Transfers	(29,316)	(31,244)	(30,401)	(310)	(904)	(727)	14,395	15,164	15,792
Change in net position	21,812	(322,827)	(517,643)	2,210	2,229	2,437	(3,126)	5,338	1,589
Net position - Beginning	(6,662,357)	(6,339,530) **	(5,879,081) *	23,118	20,889	18,452 *	8,242	2,904	1,315 *
Net position - Ending	\$ (6,640,545)	\$ (6,662,357)	\$ (6,396,724)	\$ 25,328	\$ 23,118	\$ 20,889	\$ 5,116	\$ 8,242	\$ 2,904

* In fiscal year 2015, beginning balance was restated due to the adoption of GASB Statement No. 68. See Note 1.K to the financial statements for further information.
** In fiscal year 2016, beginning balance was restated due to the adoption of GASB Statement No. 72. See Note 1.C to the financial statements for further information.

BATA is the largest of MTC's business-type activities and one of the highest-rated toll enterprises in the country, rated by Standard and Poor's, and Moody's and Fitch.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Management's Discussion and Analysis (unaudited - \$ in thousands)

BATA's toll revenue increased by \$6,652 or 0.9 percent and \$19,177 or 2.8 percent in fiscal years 2017 and 2016 respectively. The total number of paid toll vehicles for all bridges increased by 1.2 percent in fiscal year 2017 and 3.1 percent in fiscal year 2016. Paid traffic increased on all bridges except for San Francisco Oakland Bay Bridge, which had a decrease of 0.13 percent. The revenues increased for both fiscal years mainly as a result of increased paid traffic from two-axle vehicles of 0.82 percent and 2.7 percent and the vehicles that used the carpool lanes of 6.6 percent and 10.9 percent for fiscal years 2017 and 2016, respectively. Detailed traffic count is available in the Statistical Section, Table 8.

BATA's other operating revenues, consisting primarily of toll violation payments, increased by \$3,647 in fiscal year 2017 compared to an increase of \$446 in fiscal year 2016. The violation revenues increase for fiscal year 2017 was due to increased traffic and a new and more efficient toll collection system.

BATA's total operating expenses rose by \$15,564 or 10.4 percent in fiscal year 2017 and fell by \$1,021 or 0.7 percent for fiscal year 2016. The increase in fiscal year 2017 includes reimbursements for project costs to other agencies of \$7,787, increases in purchase of toll tags for the express lanes and the bridges and additional demand of \$3,979, and \$1,384 for assessments for the new building.

BATA's net investment income increased by \$347,078 in fiscal year 2017, and net investment charges decreased by \$101,958 in fiscal year 2016. In fiscal year 2017, net investment income was comprised of \$16,159 of investment earnings and \$155,539 of unrealized gain on derivative instruments. In fiscal year 2016, net investment charges were comprised of \$12,005 of investment income and \$187,387 of unrealized loss on derivative instruments. The \$155,539 gain and \$187,387 loss on derivative instruments in fiscal years 2017 and 2016 respectively, represents a change in the market valuation of certain interest rate swaps that do not qualify for hedge accounting. The investment income increased in fiscal year 2017 from fiscal year 2016 mainly due to slightly higher interest rates.

BATA's Build America Bonds interest subsidy is the federal subsidy from the U. S. Government. The increase of \$38 in fiscal year 2017 is due to a lower subsidy rate reduction compared to fiscal year 2016. As a result of the federal budget sequestration, the subsidy payments were reduced by 6.8% for the first quarter and 6.9% for the last three quarters in fiscal year 2017 compared to a reduction of 7.3% in the first quarter and 6.8% for the last three quarters in fiscal year 2016.

BATA's interest expense increased by \$9,336 and by \$11,652 in both fiscal year 2017 and 2016 respectively. The increase in fiscal year 2017 is due to higher bond and swap interest payments of \$12,535, bond premium amortization of \$518, offset by higher interest payments received from counterparty of \$3,712 and deferred amount of refunding amortization of \$5. The increase in fiscal year 2016 is mainly due to the interest payments from the four cancellable fixed-receiver interest rate swaps being temporarily suspended through April 1, 2018. See Note 5 to the financial statements for more information.

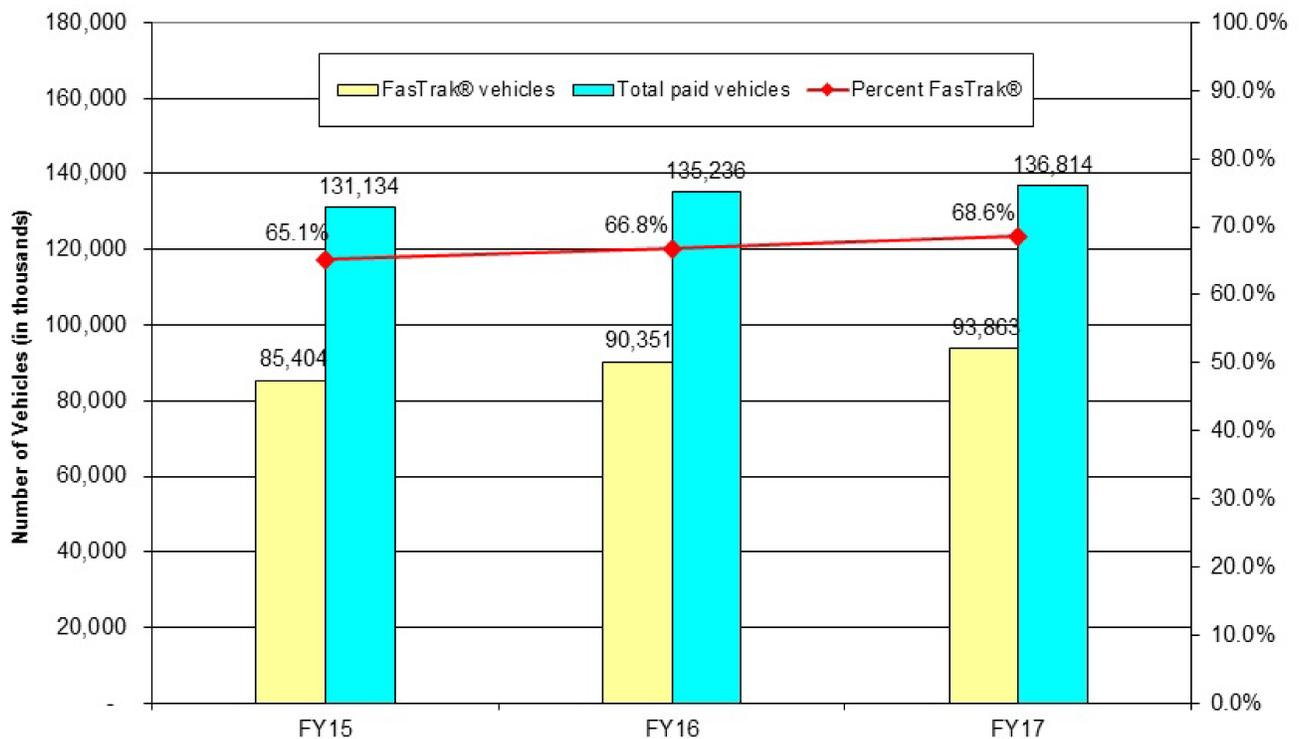
BATA's financing fees and other nonoperating expenses increased by \$9,790 in fiscal year 2017 and decreased by \$20,183 in fiscal year 2016. The increase in fiscal year 2017 is primarily due to the cost of issuance of the new bonds. The decrease in fiscal year 2016 is because BATA did not issue or refinance any bonds during the year. The financing fees in fiscal year 2016 were for remarketing fees, trustees' fees, and rating agency fees related to investments.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Management's Discussion and Analysis (unaudited - \$ in thousands)

BATA's operating grants increased by \$615 in fiscal year 2017 and \$740 in fiscal year 2016, respectively. The increase in both fiscal years is due to the increase in the revenue from Alameda County Transportation Commission from the reimbursement of maintenance fees, monthly direct fees, banking fees, and transaction costs for their express lanes.

Revenues from the FasTrak® electronic toll collection (ETC) program continue to increase. ETC revenue comprised 68.6 percent of the total paid vehicles in fiscal year 2017 compared to 66.8 percent in the prior fiscal year. The graph below illustrates the increase in FasTrak® usage for the last three years.

FasTrak® Usage by Fiscal Year



MTC SAFE's operating revenues increased by \$126 or 1.9 percent in fiscal year 2017 and increased by \$170 or 2.6 percent in fiscal year 2016. The increase in both fiscal years is mainly due to the increase in DMV fees revenues from all counties.

Operating expenses for MTC SAFE increased by \$1,092 or 10.5 percent in fiscal year 2017 and decreased by \$1,163 or 10.1 percent in 2016. The increase in fiscal year 2017 is mainly due to the costs in the callbox network capability upgrade of \$900 and the freeway congestion initiative project of \$269. The decrease in fiscal year 2016 is due to the reductions in towing contract expenses of \$1,030, lower call box program and freeway performance initiative expenses of \$432, offset by the increases in advertising and overhead costs of \$252.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Management's Discussion and Analysis (unaudited - \$ in thousands)

MTC SAFE's interest income increased by \$58 in fiscal year 2017 and increased by \$12 in fiscal year 2016. The increase in both fiscal years is due to a higher cash balance and slightly higher interest rates from the previous years.

MTC Clipper® operating revenues increased slightly by \$996 in fiscal year 2017 and increased by \$567 in fiscal year 2016. Operating revenues consist of reimbursements provided by transportation operators to offset Clipper® operations. Operating expenditures increased by \$1,119 in fiscal year 2017 and increased by \$1,739 in fiscal year 2016. The increase in fiscal year 2017 was largely due to increases in professional fees of \$930 and salaries and benefits of \$316 offset by decrease in other expenses by \$127. The increase in fiscal year 2016 was largely due to an increase in professional fees of \$1,054 and salaries and benefits of \$369. Nonoperating revenues consist of federal, state and local grants. Nonoperating revenues decreased by \$7,717 in fiscal year 2017 largely due to a decrease in federal grants of \$4,533 and state grants of \$3,447. Nonoperating revenues increased by \$10,626 in fiscal year 2016 largely due to an increase in federal grants of \$7,405. Transfers decreased by \$769 in fiscal year 2017 and decreased by \$628 in fiscal year 2016.

G. Financial Analysis of Governmental Funds

The fund balance of the MTC governmental funds was \$428,843 and \$460,371 as of June 30, 2017 and 2016, respectively, as reported under the modified accrual basis of accounting. The fund balance includes nonspendable amounts of \$823 and \$1,305 for prepaid items in fiscal years 2017 and 2016, respectively as well as amounts of \$449,232 and \$432,172 restricted for transportation and rail projects for fiscal years 2017 and 2016, respectively. The committed amounts of \$34,218 and \$34,999 for fiscal years 2017 and 2016, respectively, represent amounts designated by the Commission for specific purposes. The unassigned fund balances were \$(55,430) and \$(8,105) for fiscal years 2017 and 2016, respectively.

The fund balance of the STA fund decreased by \$10,986 and \$12,005 in fiscal years 2017 and 2016, respectively. The decrease in fund balance in fiscal year 2017 is primarily due to a decrease in STA revenues of \$5,525. The fund balance for the Rail Reserves fund decreased by \$51,223 in fiscal year 2017 and decreased by \$30,553 in fiscal year 2016. The decrease in fund balance from fiscal year 2016 is due to an increase in project expenditures for the eBART capital project and the decrease in fund balance from fiscal year 2015 is due to an increase in project expenditures for the BART Warm Springs Extension project. The fund balance for the AB 664 fund decreased by \$25,443 and increased by \$5,132 in fiscal years 2017 and 2016, respectively. The decrease in fund balance is due to an increase in expenditures for replacement buses while the increase in fund balance in the prior year is due to a decrease in expenditures for BART capital projects. The fund balance for the BART Car Exchange fund increased by \$54,428 and \$51,343 in fiscal years 2017 and 2016, respectively. The increase in fund balance for fiscal year 2017 is due to an increase in revenue resulting from funding from BART for the BART Car Replacement capital project. The fund balance of the Non-Major funds increased by \$400 and \$3,590 in fiscal years 2017 and 2016, respectively. The non-major funds increase of \$400 is due to an increase in Exchange Fund of \$1,231 offset by a decrease of \$464 from the Transit Reserve and \$185 for Prop 1B funds.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Management's Discussion and Analysis (unaudited - \$ in thousands)

The following table illustrates the revenues and expenditures for the past three fiscal years. Refer to page 28 for the reconciliation of the governmental funds to the Statement of Activities.

	<u>Governmental Funds</u>		
	2017	2016	2015
Revenues:			
Sales taxes	\$ 13,089	\$ 12,812	\$ 12,374
Grants - Federal	65,220	48,951	56,491
Grants - State	105,027	115,262	148,032
Local agencies revenues and refunds	63,532	57,917	86,553
Investment income	4,257	2,878	2,013
Total revenues	251,125	237,820	305,463
Expenditures:			
Current:			
General government	68,456	63,439	68,463
Allocations to other agencies	228,987	169,527	207,804
Capital outlay	165	639	180
Total expenditures	297,608	233,605	276,447
Other financing sources	14,955	16,984	15,336
Net change in fund balance	(31,528)	21,199	44,352
Fund balance - beginning	460,371	439,172	394,820
Fund balance - ending	\$ 428,843	\$ 460,371	\$ 439,172

Total revenues increase by \$13,305 or 5.6 percent in fiscal year 2017 and decreased by \$67,643 or 22.1 percent in fiscal year 2016. Sales tax revenue increased for the seventh straight year. The increase in fiscal year 2017 is primarily due to an increase in federal grants revenue of \$16,269 while the decrease in fiscal year 2016 is mainly due to a decrease of \$23,992 for the BART car replacement fund per the scheduled payments from BART, and a decrease in STA revenue of \$32,871 due to decrease in gas prices.

Overall, governmental fund expenditures increased by \$64,003 in fiscal year 2017 and decreased by \$42,842 in fiscal year 2016. The expenditures include allocations to other agencies, which are payments reimbursing other agencies for capital projects from MTC's special revenue funds that are specifically set aside for these projects. These expenditures can fluctuate from year to year depending on the reimbursement requests from the claimants as the expenditures are contingent upon the other agencies' progress on the projects. For fiscal year 2017, allocations to other agencies increased by \$59,460 or 35.1 percent compared to a decrease of \$38,277 or 18.4 percent for fiscal year 2016. The increase is mainly due to capital reimbursements from the AB664 and Rail special revenue funds totaling \$51,137. The decrease for fiscal year 2016 is due to less reimbursements paid from the Rail and STA special funds.

The \$165 capital outlay expenditures in fiscal year 2017 is principally due to \$101 to enhance the capacity of MTC's existing hardware and \$31 for the design and deployment of a system to configure software for MTC's environment.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Management's Discussion and Analysis (unaudited - \$ in thousands)

Other financing sources decreased by \$2,029 in fiscal year 2017 and increased by \$1,648 in fiscal year 2016.

The change in net position presented in the Statement of Activities for governmental activities decreased by \$34,851 in fiscal year 2017 and increased by \$20,697 in fiscal year 2016. Net position for governmental funds was \$417,629 and \$452,480 for fiscal years 2017 and 2016, respectively. Program revenues increased by \$13,292 or 5.69 percent in fiscal year 2017, and decreased by \$69,904 or 23.01 percent in fiscal year 2016. The increase in fiscal year 2017 was due to an increase from federal programs revenues of \$16,269 and an increase in local agencies revenues of \$5,615 while the STA revenue decreased by \$10,447. The decrease in fiscal year 2016 was due to a decrease in General Fund revenue from federal programs of \$7,541, a decrease in STA revenue of \$32,870 and decrease in BART Car Exchange and Exchange Fund revenue of \$23,992 and \$5,443, respectively.

H. General Fund Budget

The MTC general fund budget for fiscal year 2017 was amended from the adopted budget by \$3,600 in increased revenues, \$360 in increased transfers in and \$4,000 in increased expenditures. The actual revenues-to-expenditures balance for fiscal year 2017 reflects a surplus of \$1,295. The positive surplus budget variance of \$4,021 is due to several differences in revenues and expenditures, including an underestimate in sales tax by \$589, and investment revenues by \$57 and the transfer in from BATA by \$300 due to increase toll revenues. The expenditures variance includes \$3,150 budgeted for contracts.

The deficit in both budget versions reflects encumbrances carried over from the prior fiscal year that were covered by the prior year's general fund balance.

The following provides a condensed view of the final budgeted results compared to actual results for the year ended June 30, 2017.

General Fund				
	Adopted Budget	Final Budget	Actual	Variance
Revenues	\$ 130,380	\$ 133,966	\$ 83,858	\$ (50,108)
Expenditures	151,055	154,973	92,809	62,164
Excess/(Deficiency)	(20,675)	(21,007)	(8,951)	12,056
Transfers in	17,927	18,281	10,246	(8,035)
Net change in fund balance	(2,748)	(2,726)	1,295	4,021
Fund balance - beginning	40,370	40,370	40,370	-
Fund balance - ending	<u>\$ 37,622</u>	<u>\$ 37,644</u>	<u>\$ 41,665</u>	<u>\$ 4,021</u>

MTC's federal and state funding sources are on a reimbursement basis, so it is not unusual for actual revenues to lag behind the adopted budget, and most of the grants budgeted were not completed by year end. Actual expenditures were also well below budget because several major programs were budgeted, but were not completed during the fiscal year.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Management's Discussion and Analysis (unaudited - \$ in thousands)

I. Capital Asset Administration

MTC's investment in capital assets for all funds, governmental and proprietary, increased to \$78,647 in fiscal year 2017 from \$61,884 in fiscal year 2016 as reported under the accrual basis of accounting. The increase for both fiscal years is primarily due to the development costs of the Express Lane project, which is scheduled to open in the fall of 2017. Additional information on MTC's capital assets is disclosed in Note 4 to the financial statements. Assets relating to the seven state-owned bridges administered by BATA are owned by Caltrans.

J. Long-Term Debt Administration

During fiscal year 2017, BATA completed an advance refunding of \$559,015 and issued \$300,000 of new bonds. BATA administers a debt portfolio of \$9,437,830. All of BATA's swaps were ineffective for accounting purposes in fiscal year 2017 and 2016. Therefore, the changes in fair values of investment derivative instruments are reported within the investment income classification in the Statement of Revenue, Expenses and Changes in Net Position. The fair value of swaps increased by \$155,539 in fiscal year 2017. BATA's interest expense on the \$3,275,000 of federally taxable Build America Bonds was \$218,747 and the federal subsidy was \$71,298 for a net interest expense of \$147,449.

Additional information on MTC's long-term debt can be found in Note 5 to the financial statements.

K. Economic Factors Impacting MTC

The Bay Area economy continues to recover. The unemployment rate continues to decrease, and sales taxes continue to increase from prior years. These impacts include:

- Sales tax revenues increased for the seventh straight fiscal year, increasing at a slower rate by 2.2 percent and 3.5 percent for fiscal years 2017 and 2016 respectively, after declining from fiscal years 2008 to 2010. Sales tax revenues for fiscal year 2018 are also projected to be slightly higher than fiscal year 2017.
- Unemployment in the Bay Area was 3.6 percent as of June 2017.
- Building construction and housing is up, and demand for consumer goods is also up.

Requests for information

This financial report is designed to provide a general overview of the Metropolitan Transportation Commission's financial position for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Metropolitan Transportation Commission, 375 Beale Street, Suite 800, San Francisco, CA 94105.

Metropolitan Transportation Commission
Statement of Net Position
June 30, 2017

	Primary Government			BAHA
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash - unrestricted	\$ 146,871,723	\$ 144,058,952	\$ 290,930,675	\$ 13,395,450
Cash - restricted	47,212,963	118,504,555	165,717,518	13,398,808
Investments - unrestricted	290,156,318	1,108,570,249	1,398,726,567	-
Investments - restricted	333,919,589	1,515,505,943	1,849,425,532	-
Receivables:				
Accounts receivable	2,686,205	21,062,485	23,748,690	1,650,397
Interest	1,156,676	22,318,779	23,475,455	4,062
Funding due from State/ Caltrans	28,950,758	3,724,344	32,675,102	-
Funding due from Federal	41,776,570	3,538,175	45,314,745	-
Prepaid items and other assets	824,838	395,872	1,220,710	685,495
Bond prepaid insurance/ interest	-	16,100	16,100	-
Net OPEB asset	8,285,618	-	8,285,618	-
Land	-	-	-	33,933,809
Capital assets not being depreciated	12,000	63,007,711	63,019,711	559,985
Capital assets net of accumulated depreciation/ amortization	580,813	15,046,446	15,627,259	182,763,079
TOTAL ASSETS	902,434,071	3,015,749,611	3,918,183,682	246,391,085
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount of refunding	-	322,136,090	322,136,090	-
Deferred outflows from pension	9,289,356	5,187,730	14,477,086	410,011
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,289,356	327,323,820	336,613,176	410,011
LIABILITIES				
Accounts payable and accrued liabilities	97,711,116	80,584,107	178,295,223	2,491,653
Accrued interest payable	-	107,040,282	107,040,282	-
Unearned revenue	256,773	88,371,606	88,628,379	415,992
Due to Caltrans	-	11,400,898	11,400,898	-
Noncurrent liabilities				
Net pension liability				
Due in more than one year	22,572,445	11,707,271	34,279,716	415,579
Long term debt				
Due within one year	-	55,760,000	55,760,000	-
Due in more than one year	-	9,561,878,394	9,561,878,394	-
Due to / (from) other funds				
Due within one year	2,680,670	(2,680,670)	-	-
Other noncurrent liabilities				
Derivative instruments	-	390,781,957	390,781,957	-
Due within one year	2,354,613	-	2,354,613	-
Due in more than one year	3,025,287	8,824,550	11,849,837	160,452
TOTAL LIABILITIES	128,600,904	10,313,668,395	10,442,269,299	3,483,676
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension	3,398,330	1,600,738	4,999,068	9,766
Deferred revenues/Deferred charges	362,095,123	(362,095,123)	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	365,493,453	(360,494,385)	4,999,068	9,766
NET POSITION				
Net investment in capital assets	364,206	78,054,157	78,418,363	217,256,873
Restricted for:				
Capital projects	481,090,437	266,482	481,356,919	13,398,808
Operations & Maintenance, under debt covenant	-	150,000,000	150,000,000	-
Extraordinary loss reserve, under Caltrans Coop	-	50,000,000	50,000,000	-
Net OPEB asset	8,285,618	-	8,285,618	-
STA reserve	49,194	-	49,194	-
Unrestricted	(72,160,385)	(6,888,421,218)	(6,960,581,603)	12,651,973
TOTAL NET POSITION	\$ 417,629,070	\$ (6,610,100,579)	\$ (6,192,471,509)	\$ 243,307,654

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Net Position
June 30, 2016

	Primary Government			BAHA
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash - unrestricted	\$ 172,090,338	\$ 261,749,839	\$ 433,840,177	\$ -
Cash - restricted	136,441	103,794,641	103,931,082	27,725,768
Investments - unrestricted	336,229,912	912,159,296	1,248,389,208	-
Investments - restricted	326,807,822	1,513,622,661	1,840,430,483	30,000,000
Receivables:				
Accounts receivable	2,108,387	21,122,140	23,230,527	541,858
Interest	848,802	20,397,478	21,246,280	32,127
Funding due from State/ Caltrans	56,154,430	5,253,649	61,408,079	-
Funding due from Federal	24,220,387	6,539,651	30,760,038	-
Prepaid items and other assets	1,304,973	1,333,085	2,638,058	689,961
Bond prepaid insurance	-	37,568	37,568	-
Net OPEB asset	7,384,385	-	7,384,385	-
Land	-	-	-	33,933,809
Capital assets not being depreciated	3,912,654	35,428,344	39,340,998	111,805
Capital assets net of accumulated depreciation/ amortization	1,446,049	21,096,671	22,542,720	215,208,865
TOTAL ASSETS	932,644,580	2,902,535,023	3,835,179,603	308,244,193
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount of refunding	-	339,332,432	339,332,432	-
Deferred outflows from pension	5,907,566	3,081,427	8,988,993	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,907,566	342,413,859	348,321,425	-
LIABILITIES				
Accounts payable and accrued liabilities	71,116,631	87,208,890	158,325,521	34,113,794
Security trade payable	-	45,000,000	45,000,000	-
Accrued interest payable	-	100,799,323	100,799,323	-
Unearned revenue	81,477	80,885,198	80,966,675	655,381
Deposit payable	-	-	-	800,000
Due to Caltrans	-	25,331,790	25,331,790	-
Noncurrent liabilities				
Net pension liability				
Due in more than one year	18,286,012	9,108,343	27,394,355	-
Long term debt				
Due within one year	-	54,835,000	54,835,000	-
Due in more than one year	-	9,301,640,813	9,301,640,813	-
Due to / (from) other funds				
Due within one year	6,313,533	(6,313,533)	-	-
Other noncurrent liabilities				
Derivative instruments	-	546,320,887	546,320,887	-
Due within one year	2,154,908	-	2,154,908	-
Due in more than one year	2,974,182	9,194,424	12,168,606	160,452
TOTAL LIABILITIES	100,926,743	10,254,011,135	10,354,937,878	35,729,627
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension	4,752,458	2,328,495	7,080,953	-
Deferred revenues/Deferred charges	380,393,353	(380,393,353)	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	385,145,811	(378,064,858)	7,080,953	-
NET POSITION				
Net investment in capital assets	5,072,036	56,525,015	61,597,051	249,254,479
Restricted for:				
Capital projects	464,080,311	3,559,290	467,639,601	23,260,087
Operations & Maintenance, under debt covenant	-	150,000,000	150,000,000	-
Extraordinary loss reserve, under Caltrans Coop	-	50,000,000	50,000,000	-
Net OPEB asset	7,384,385	-	7,384,385	-
STA Reserve	158,050	-	158,050	-
Unrestricted	(24,215,190)	(6,891,081,700)	(6,915,296,890)	-
TOTAL NET POSITION	\$ 452,479,592	\$ (6,630,997,395)	\$ (6,178,517,803)	\$ 272,514,566

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Activities
For the Year Ended June 30, 2017

	Net (Expenses) Revenues and Changes in Net Position								
	Program Revenues					Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Governmental Activities	Business-type Activities	Total	BAHA
Functions:									
Primary Government:									
Governmental Activities:									
General Government	\$ 103,883,046	\$ -	\$ 142,184,036	\$ -	\$ 142,184,036	\$ 38,300,990	\$ -	38,300,990	\$ -
Transportation	204,294,737	-	105,027,322	-	105,027,322	(99,267,415)	-	(99,267,415)	-
Total Governmental Activities	308,177,783	-	247,211,358	-	247,211,358	(60,966,425)	-	(60,966,425)	-
Business-type Activities:									
MTC Clipper® smart card	45,093,517	18,314,715	-	9,219,623	27,534,338	-	(17,559,179)	(17,559,179)	-
Toll bridge activities	980,644,892	747,261,356	82,357,269	-	829,618,625	-	(151,026,267)	(151,026,267)	-
Congestion relief	11,463,126	6,716,397	6,573,706	-	13,290,103	-	1,826,977	1,826,977	-
Total Business-Type Activities	1,037,201,535	772,292,468	88,930,975	9,219,623	870,443,066	-	(166,758,469)	(166,758,469)	-
Total Primary Government	\$ 1,345,379,318	\$ 772,292,468	\$ 336,142,333	\$ 9,219,623	\$ 1,117,654,424	(60,966,425)	(166,758,469)	(227,724,894)	-
Component Units:									
BAHA	\$ 48,449,852	\$ 10,458,012	\$ 12,838,052	-	\$ 23,296,064				\$ (25,153,788)
Total Component Units	\$ 48,449,852	\$ 10,458,012	\$ 12,838,052	\$ -	\$ 23,296,064				\$ (25,153,788)
General Revenues:									
Restricted investment earnings						1,885,154	-	1,885,154	178,745
Unrestricted investment earnings						2,371,696	171,808,360	174,180,056	-
Return of contribution from Bay Area Headquarters Authority						-	29,700,000	29,700,000	-
Gain (loss) on sale of capital assets						6,628,042	1,377,936	8,005,978	(4,231,869)
Transfers						15,231,011	(15,231,011)	-	-
Total General Revenues and Transfers						26,115,903	187,655,285	213,771,188	(4,053,124)
Change in Net Position						(34,850,522)	20,896,816	(13,953,706)	(29,206,912)
Net Position - Beginning						452,479,592	(6,630,997,395)	(6,178,517,803)	272,514,566
Net Position - Ending						\$ 417,629,070	\$ (6,610,100,579)	\$ (6,192,471,509)	\$ 243,307,654

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Activities
For the Year Ended June 30, 2016

	Program Revenues					Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Primary Government			BAHA
						Governmental Activities	Business-type Activities	Total	
Functions:									
Primary Government:									
Governmental Activities:									
General Government	\$ 77,038,765	\$ -	\$ 118,657,185	\$ -	\$ 118,657,185	\$ 41,618,420	\$ -	41,618,420	\$ -
Transportation	156,045,404	-	115,261,812	-	115,261,812	(40,783,592)	-	(40,783,592)	-
Total Governmental Activities	233,084,169	-	233,918,997	-	233,918,997	834,828	-	834,828	-
Business-type Activities									
MTC Clipper® smart card	44,090,317	17,319,246	13,377,502	3,559,290	34,256,038	-	(9,834,279)	(9,834,279)	-
Toll bridge activities	935,543,616	736,962,061	82,379,678	-	819,341,739	-	(116,201,877)	(116,201,877)	-
Congestion relief	10,418,605	6,590,383	6,947,729	-	13,538,112	-	3,119,507	3,119,507	-
Total Business-Type Activities	990,052,538	760,871,690	102,704,909	3,559,290	867,135,889	-	(122,916,649)	(122,916,649)	-
Total Primary Government	\$ 1,223,136,707	\$ 760,871,690	\$ 336,623,906	\$ 3,559,290	\$ 1,101,054,886	834,828	(122,916,649)	(122,081,821)	-
Component Units:									
BAHA	\$ 8,905,815	\$ 218,334	\$ 518,694	\$ 925,937	\$ 1,662,965				\$ (7,242,850)
Total Component Units	\$ 8,905,815	\$ 218,334	\$ 518,694	\$ 925,937	\$ 1,662,965				\$ (7,242,850)
General Revenues:									
Restricted investment earnings						1,172,944	-	1,172,944	131,640
Unrestricted investment earnings / changes						1,704,508	(175,358,794)	(173,654,286)	-
Transfers						16,984,262	(16,984,262)	-	-
Total General Revenues and Transfers						19,861,714	(192,343,056)	(172,481,342)	131,640
Change in Net Position						20,696,542	(315,259,705)	(294,563,163)	(7,111,210)
Net Position - Beginning, as restated (note I.C)						431,783,050	(6,315,737,690)	(5,883,954,640)	279,625,776
Net Position - Ending						\$ 452,479,592	\$ (6,630,997,395)	\$ (6,178,517,803)	\$ 272,514,566

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission

Balance Sheet - Governmental Funds

June 30, 2017

	General	AB 664 Net Toll Revenue Reserve	STA	Rail Reserves	BART Car Exchange	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash - unrestricted	\$ 30,966,664	\$ 15,287,319	\$ 40,243,432	\$ 9,235,909	\$ -	\$ 51,138,399	\$ 146,871,723
Cash - restricted	-	-	-	-	47,212,963	-	47,212,963
Investment - unrestricted	218,806	182,249,612	-	74,167,939	-	33,519,961	290,156,318
Investment - restricted	-	-	-	-	333,919,589	-	333,919,589
Receivables							
Accounts	1,399,941	-	186,264	-	-	1,100,000	2,686,205
Interest	505	302,116	70,000	103,426	649,692	30,937	1,156,676
State/ Caltrans funding	767,264	-	28,183,494	-	-	-	28,950,758
Federal funding	41,776,570	-	-	-	-	-	41,776,570
Due from other funds	1,449,544	-	637,313	-	-	499,769	2,586,626
Prepaid items and other assets	823,172	-	-	-	-	1,666	824,838
TOTAL ASSETS	\$ 77,402,466	\$ 197,839,047	\$ 69,320,503	\$ 83,507,274	\$ 381,782,244	\$ 86,290,732	\$ 896,142,266
LIABILITIES							
Accounts payable and accrued expenditures	\$ 30,989,008	\$ 6,111,232	\$ 22,686,392	\$ 32,980,289	\$ 4,455	\$ 4,688,701	\$ 97,460,077
Deposit payable	250,000	-	-	-	-	-	250,000
Unearned revenue	2,225,657	-	-	-	-	-	2,225,657
Retention payable	1,039	-	-	-	-	-	1,039
Due to other funds	2,271,972	-	2,966,361	-	-	28,963	5,267,296
TOTAL LIABILITIES	35,737,676	6,111,232	25,652,753	32,980,289	4,455	4,717,664	105,204,069
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue	-	177,290,066	-	142,748,112	-	42,056,945	362,095,123
TOTAL DEFERRED INFLOWS OF RESOURCES	-	177,290,066	-	142,748,112	-	42,056,945	362,095,123
FUND BALANCES							
Nonspendable							
Prepaid items	823,172	-	-	-	-	-	823,172
Restricted for:							
Transportation projects	49,194	14,437,749	43,667,750	-	-	9,299,700	67,454,393
Rail projects	-	-	-	-	381,777,789	-	381,777,789
Committed to:							
Benefits reserve	1,515,948	-	-	-	-	-	1,515,948
Building reserve	-	-	-	-	-	499,769	499,769
Liability reserve	294,763	-	-	-	-	-	294,763
Transportation projects	2,190,792	-	-	-	-	29,716,654	31,907,446
Unassigned:							
Unassigned	36,790,921	-	-	(92,221,127)	-	-	(55,430,206)
TOTAL FUND BALANCES	41,664,790	14,437,749	43,667,750	(92,221,127)	381,777,789	39,516,123	428,843,074
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 77,402,466	\$ 197,839,047	\$ 69,320,503	\$ 83,507,274	\$ 381,782,244	\$ 86,290,732	\$ 896,142,266

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2017

Governmental funds balance	\$ 428,843,074
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	592,813
Other Post Employment Benefit (OPEB) assets are not current financial resources and, therefore, are not reported in the funds	8,285,618
Underabsorption of applied overhead is recorded as unearned revenue as it is not available in the current period and, therefore, not reported in the funds	1,968,884
Capital leases are not due and payable in the current period and, therefore, are not reported in the funds	(228,606)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	(5,151,294)
Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds	(22,572,445)
Deferred outflows/inflows - pension is not due and payable in the current period and, therefore, is not reported in the funds	<u>5,891,026</u>
Net position of governmental activities	<u><u>\$ 417,629,070</u></u>

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission

Balance Sheet - Governmental Funds

June 30, 2016

	General	AB 664 Net Toll Revenue Reserve	STA	Rail Reserves	BART Car Exchange	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash - unrestricted	\$ 35,448,918	\$ 27,817,618	\$ 40,271,225	\$ 17,929,234	\$ -	\$ 50,623,343	\$ 172,090,338
Cash - restricted	-	-	-	-	136,441	-	136,441
Investment - unrestricted	217,756	202,914,699	-	99,326,000	-	33,771,457	336,229,912
Investment - restricted	-	-	-	-	326,807,822	-	326,807,822
Receivables							
Accounts	2,108,387	-	-	-	-	-	2,108,387
Interest	50,542	207,887	53,396	111,330	411,495	14,152	848,802
State/ Caltrans funding	967,137	-	55,187,293	-	-	-	56,154,430
Federal funding	24,220,387	-	-	-	-	-	24,220,387
Due from other funds	1,399,520	-	1,137,857	-	-	499,769	3,037,146
Prepaid items and other assets	1,304,973	-	-	-	-	-	1,304,973
TOTAL ASSETS	\$ 65,717,620	\$ 230,940,204	\$ 96,649,771	\$ 117,366,564	\$ 327,355,758	\$ 84,908,721	\$ 922,938,638
LIABILITIES							
Accounts payable and accrued expenditures	\$ 14,785,404	\$ 4,833,385	\$ 41,528,658	\$ 8,360,588	\$ 6,380	\$ 1,601,177	\$ 71,115,592
Unearned revenue	1,706,601	-	-	-	-	-	1,706,601
Retention payable	1,039	-	-	-	-	-	1,039
Due to other funds	8,854,781	-	467,846	-	-	28,052	9,350,679
TOTAL LIABILITIES	25,347,825	4,833,385	41,996,504	8,360,588	6,380	1,629,229	82,173,911
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue	-	186,226,211	-	150,003,748	-	44,163,394	380,393,353
TOTAL DEFERRED INFLOWS OF RESOURCES	-	186,226,211	-	150,003,748	-	44,163,394	380,393,353
FUND BALANCES							
Nonspendable							
Prepaid items	1,304,973	-	-	-	-	-	1,304,973
Restricted for:							
Transportation projects	158,050	39,880,608	54,653,267	-	-	10,130,854	104,822,779
Rail projects	-	-	-	-	327,349,378	-	327,349,378
Committed to:							
Benefits reserve	1,468,652	-	-	-	-	-	1,468,652
Building reserve	-	-	-	-	-	499,769	499,769
Liability reserve	964,580	-	-	-	-	-	964,580
Transportation projects	3,580,727	-	-	-	-	28,485,475	32,066,202
Unassigned:							
Unassigned	32,892,813	-	-	(40,997,772)	-	-	(8,104,959)
TOTAL FUND BALANCES	40,369,795	39,880,608	54,653,267	(40,997,772)	327,349,378	39,116,098	460,371,374
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 65,717,620	\$ 230,940,204	\$ 96,649,771	\$ 117,366,564	\$ 327,355,758	\$ 84,908,721	\$ 922,938,638

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2016

Governmental funds balance	\$ 460,371,374
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,358,703
Other Post Employment Benefit (OPEB) assets are not current financial resources and, therefore, are not reported in the funds	7,384,385
Underabsorption of applied overhead is recorded as unearned revenue as it is not available in the current period and, therefore, not reported in the funds	1,625,124
Capital leases are not due and payable in the current period and, therefore, are not reported in the funds	(286,668)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	(4,842,422)
Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds	(18,286,012)
Deferred outflows/inflows - pension is not due and payable in the current period and, therefore, is not reported in the funds	<u>1,155,108</u>
Net position of governmental activities	<u>\$ 452,479,592</u>

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2017

	General	AB 664 Net Toll Revenue Reserve	STA	Rail Reserves	BART Car Exchange	Non-Major Governmental Funds	Total Governmental Funds
REVENUES							
Sales tax	\$ 13,088,720	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,088,720
Grants - Federal	65,219,640	-	-	-	-	-	65,219,640
Grants - State	616,561	-	101,167,760	-	-	3,243,001	105,027,322
Local agencies revenues and refunds	4,856,377	-	5,027,828	-	52,547,712	1,100,000	63,531,917
Investment income - unrestricted	76,643	1,172,891	187,426	532,506	-	402,230	2,371,696
Investment income - restricted	-	-	-	-	1,885,154	-	1,885,154
TOTAL REVENUES	83,857,941	1,172,891	106,383,014	532,506	54,432,866	4,745,231	251,124,449
EXPENDITURES							
Current:							
General government	67,951,367	19,694	-	11,468	4,455	468,788	68,455,772
Allocations to other agencies	24,692,348	35,532,201	103,737,392	59,000,029	-	6,025,115	228,987,085
Capital outlay	164,855	-	-	-	-	-	164,855
TOTAL EXPENDITURES	92,808,570	35,551,895	103,737,392	59,011,497	4,455	6,493,903	297,607,712
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	(8,950,629)	(34,379,004)	2,645,622	(58,478,991)	54,428,411	(1,748,672)	(46,483,263)
OTHER FINANCING SOURCES (USES)							
Transfers in	10,566,300	8,936,145	637,313	7,255,636	-	2,201,449	29,596,843
Transfers out	(44,628)	-	(14,268,452)	-	-	(52,752)	(14,365,832)
Sale of capital assets	11,146,656	-	-	-	-	-	11,146,656
Contribution to Bay Area Headquarters Authority	(11,422,704)	-	-	-	-	-	(11,422,704)
TOTAL OTHER FINANCING SOURCES (USES)	10,245,624	8,936,145	(13,631,139)	7,255,636	-	2,148,697	14,954,963
NET CHANGE IN FUND BALANCES	1,294,995	(25,442,859)	(10,985,517)	(51,223,355)	54,428,411	400,025	(31,528,300)
Fund balances - beginning	40,369,795	39,880,608	54,653,267	(40,997,772)	327,349,378	39,116,098	460,371,374
Fund balances - ending	\$ 41,664,790	\$ 14,437,749	\$ 43,667,750	\$ (92,221,127)	\$ 381,777,789	\$ 39,516,123	\$ 428,843,074

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2016

	General	AB 664 Net Toll Revenue Reserve	STA	Rail Reserves	BART Car Exchange	Non-Major Governmental Funds	Total Governmental Funds
REVENUES							
Sales tax	\$ 12,812,330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,812,330
Grants - Federal	48,950,356	-	-	-	-	-	48,950,356
Grants - State	436,155	-	111,614,765	-	-	3,210,892	115,261,812
Local agencies revenues and refunds	6,752,581	-	34,759	-	50,176,121	953,854	57,917,315
Investment income - unrestricted	84,481	768,768	258,196	434,978	-	158,085	1,704,508
Investment income - restricted	-	-	-	-	1,172,944	-	1,172,944
TOTAL REVENUES	69,035,903	768,768	111,907,720	434,978	51,349,065	4,322,831	237,819,265
EXPENDITURES							
Current:							
General government	62,957,957	20,292	-	15,681	6,380	438,959	63,439,269
Allocations to other agencies	13,481,273	4,866,229	110,214,521	38,524,223	-	2,440,431	169,526,677
Capital outlay	638,584	-	-	-	-	-	638,584
TOTAL EXPENDITURES	77,077,814	4,886,521	110,214,521	38,539,904	6,380	2,879,390	233,604,530
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	(8,041,911)	(4,117,753)	1,693,199	(38,104,926)	51,342,685	1,443,441	4,214,735
OTHER FINANCING SOURCES (USES)							
Transfers in	11,888,942	9,301,049	1,137,857	7,551,916	-	2,202,465	32,082,229
Transfers out	(154,232)	(51,525)	(14,836,229)	-	-	(55,981)	(15,097,967)
TOTAL OTHER FINANCING SOURCES (USES)	11,734,710	9,249,524	(13,698,372)	7,551,916	-	2,146,484	16,984,262
NET CHANGE IN FUND BALANCES	3,692,799	5,131,771	(12,005,173)	(30,553,010)	51,342,685	3,589,925	21,198,997
Fund balances - beginning	36,676,996	34,748,837	66,658,440	(10,444,762)	276,006,693	35,526,173	439,172,377
Fund balances - ending	\$ 40,369,795	\$ 39,880,608	\$ 54,653,267	\$ (40,997,772)	\$ 327,349,378	\$ 39,116,098	\$ 460,371,374

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds to the Statement of Activities
For the Years Ended June 30, 2017 and 2016

	2017	2016
Net change in fund balances - total governmental funds (per Statement of Revenues, Expenditures and Changes in Fund Balances)	\$(31,528,300)	\$ 21,198,997
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeds (does not exceed) non capital lease capital outlays in the current period. See Note 1.N.	(247,277)	(55,291)
Principal repayment on capital leases is not an expenditure in the governmental funds; however, the principal element of the repayment reduces long-term liabilities in the Statement of Net Position. The amount is the effect of the differing treatment of capital lease principal repayment.	58,062	47,581
Governmental funds report under absorption of applied overhead as unearned revenue; however in the Statement of Activities, the underabsorption is reported as revenue.	343,759	(1,022,815)
Some items do not require the use of current financial resources and, therefore, are not reported in the governmental funds:		
Compensated absences	(308,872)	(494,621)
Pension liability	449,487	1,022,691
Sale of capital assets	(11,146,656)	-
Gain / Loss on sale of assets	6,628,042	-
OPEB Prefund	739,455	-
OPEB Implied Subsidy	<u>161,778</u>	<u>-</u>
Change in net position of governmental activities (per Statement of Activities)	<u><u>\$(34,850,522)</u></u>	<u><u>\$ 20,696,542</u></u>

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Net Position - Proprietary Funds
June 30, 2017

	Business-Type Activities -Enterprise Funds			Total Enterprise Funds
	MTC-Clipper®	Bay Area Toll Authority	Service Authority for Freeways and Expressways	
ASSETS				
Current assets:				
Cash - unrestricted	\$ 7,439,712	\$ 117,178,830	\$ 19,440,410	\$ 144,058,952
Cash - restricted	266,482	98,760,527	-	99,027,009
Short term investments - unrestricted	-	942,044,020	107,958	942,151,978
Due from other funds	2,834,748	-	1,727,575	4,562,323
Accounts receivable	3,324,592	17,737,893	-	21,062,485
Accrued interest	-	22,318,530	249	22,318,779
Prepaid expenses and other assets	25,179	343,293	27,400	395,872
Funding due from State/ Caltrans	26,133	913,785	2,784,426	3,724,344
Funding due from Federal	2,741,745	-	796,430	3,538,175
Total current assets	16,658,591	1,199,296,878	24,884,448	1,240,839,917
Non-current assets:				
Cash - restricted	-	19,477,546	-	19,477,546
Investment - unrestricted	-	166,418,271	-	166,418,271
Investments - restricted	-	1,515,505,943	-	1,515,505,943
Bond prepaid insurance	-	16,100	-	16,100
Capital assets, net of accumulated depreciation/ amortization	-	76,422,053	1,632,104	78,054,157
Total non-current assets	-	1,777,839,913	1,632,104	1,779,472,017
TOTAL ASSETS	16,658,591	2,977,136,791	26,516,552	3,020,311,934
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges	-	684,231,213	-	684,231,213
Deferred outflows from pension	896,336	4,003,732	287,662	5,187,730
TOTAL DEFERRED OUTFLOWS OF RESOURCES	896,336	688,234,945	287,662	689,418,943
LIABILITIES				
Current liabilities:				
Accounts payable	9,271,850	68,989,832	612,861	78,874,543
Accrued interest payable	-	107,040,282	-	107,040,282
Due to other funds	773,841	939,126	168,686	1,881,653
Unearned revenue	-	88,371,606	-	88,371,606
Retention payable	187,528	1,522,036	-	1,709,564
Long term debt - current	-	55,760,000	-	55,760,000
Due to Caltrans	-	11,400,898	-	11,400,898
Total current liabilities	10,233,219	334,023,780	781,547	345,038,546
Non-current liabilities:				
Unearned revenue/ Patron deposits	-	8,824,550	-	8,824,550
Long term debt, net	-	9,561,878,394	-	9,561,878,394
Derivative instruments	-	390,781,957	-	390,781,957
Net pension liability	1,950,764	9,138,521	617,986	11,707,271
Total non-current liabilities	1,950,764	9,970,623,422	617,986	9,973,192,172
TOTAL LIABILITIES	12,183,983	10,304,647,202	1,399,533	10,318,230,718
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension	254,686	1,269,346	76,706	1,600,738
TOTAL DEFERRED INFLOWS OF RESOURCES	254,686	1,269,346	76,706	1,600,738
NET POSITION				
Net investment in capital assets	-	76,422,053	1,632,104	78,054,157
Restricted for:				
Capital Projects	266,482	-	-	266,482
Operations & Maintenance, under debt covenant	-	150,000,000	-	150,000,000
Extraordinary loss reserve, under Caltrans Coop	-	50,000,000	-	50,000,000
Unrestricted	4,849,776	(6,916,966,865)	23,695,871	(6,888,421,218)
TOTAL NET POSITION	\$ 5,116,258	\$ (6,640,544,812)	\$ 25,327,975	\$ (6,610,100,579)

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Net Position - Proprietary Funds
June 30, 2016

	Business-Type Activities -Enterprise Funds			
	MTC- Clipper®	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total Enterprise Funds
ASSETS				
Current assets:				
Cash - unrestricted	\$ 1,557,870	\$ 247,624,637	\$ 12,567,332	\$ 261,749,839
Cash - restricted	3,559,290	90,623,403	-	94,182,693
Short term investments - unrestricted	-	912,051,856	107,440	912,159,296
Due from other funds	5,491,114	-	4,015,495	9,506,609
Accounts receivable	4,547,408	16,574,732	-	21,122,140
Accrued interest	-	20,397,332	146	20,397,478
Prepaid expenses and other assets	70,350	727,183	535,552	1,333,085
Funding due from State/ Caltrans	51,346	1,413,232	3,789,071	5,253,649
Funding due from Federal	5,997,049	-	542,602	6,539,651
Total current assets	<u>21,274,427</u>	<u>1,289,412,375</u>	<u>21,557,638</u>	<u>1,332,244,440</u>
Non-current assets:				
Cash - restricted	-	9,611,948	-	9,611,948
Investments - restricted	-	1,513,622,661	-	1,513,622,661
Bond prepaid insurance	-	37,568	-	37,568
Capital assets, net of accumulated depreciation/ amortization	-	53,581,222	2,943,793	56,525,015
Total non-current assets	<u>-</u>	<u>1,576,853,399</u>	<u>2,943,793</u>	<u>1,579,797,192</u>
TOTAL ASSETS	<u>21,274,427</u>	<u>2,866,265,774</u>	<u>24,501,431</u>	<u>2,912,041,632</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges	-	719,725,785	-	719,725,785
Deferred outflows from pension	548,328	2,367,701	165,398	3,081,427
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>548,328</u>	<u>722,093,486</u>	<u>165,398</u>	<u>722,807,212</u>
LIABILITIES				
Current liabilities:				
Accounts payable	10,638,474	74,190,439	927,510	85,756,423
Accrued interest payable	-	100,799,323	-	100,799,323
Security trade payable	-	45,000,000	-	45,000,000
Due to other funds	979,807	2,177,339	35,930	3,193,076
Unearned revenue	-	80,885,198	-	80,885,198
Retention payable	65,140	1,387,327	-	1,452,467
Long term debt - current	-	54,835,000	-	54,835,000
Due to Caltrans	-	25,331,790	-	25,331,790
Total current liabilities	<u>11,683,421</u>	<u>384,606,416</u>	<u>963,440</u>	<u>397,253,277</u>
Non-current liabilities:				
Unearned revenue/ Patron deposits	-	9,194,424	-	9,194,424
Long term debt, net	-	9,301,640,813	-	9,301,640,813
Derivative instruments	-	546,320,887	-	546,320,887
Net pension liability	1,518,818	7,121,526	467,999	9,108,343
Total non-current liabilities	<u>1,518,818</u>	<u>9,864,277,650</u>	<u>467,999</u>	<u>9,866,264,467</u>
TOTAL LIABILITIES	<u>13,202,239</u>	<u>10,248,884,066</u>	<u>1,431,439</u>	<u>10,263,517,744</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension	378,654	1,832,171	117,670	2,328,495
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>378,654</u>	<u>1,832,171</u>	<u>117,670</u>	<u>2,328,495</u>
NET POSITION				
Net investment in capital assets	-	53,581,222	2,943,793	56,525,015
Restricted for:				
Capital projects	3,559,290	-	-	3,559,290
Operations & Maintenance, under debt covenant	-	150,000,000	-	150,000,000
Extraordinary loss reserve, under Caltrans Coop	-	50,000,000	-	50,000,000
Unrestricted	4,682,572	(6,915,938,199)	20,173,927	(6,891,081,700)
TOTAL NET POSITION	<u>\$ 8,241,862</u>	<u>\$ (6,662,356,977)</u>	<u>\$ 23,117,720</u>	<u>\$ (6,630,997,395)</u>

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	MTC-Clipper®	Bay Area Toll Authority	Service Authority for Freeways and Expressways	
OPERATING REVENUES				
Toll revenues collected	\$ -	\$ 720,784,303	\$ -	\$ 720,784,303
Department of Motor Vehicles registration fees	-	-	6,716,382	6,716,382
Revenues from operators	18,314,715	-	-	18,314,715
Other operating revenues	-	26,477,053	15	26,477,068
TOTAL OPERATING REVENUES	18,314,715	747,261,356	6,716,397	772,292,468
OPERATING EXPENSES				
Operating expenses incurred by Caltrans	-	25,018,218	-	25,018,218
Operating expenses - Transbay JPA	-	4,691,507	-	4,691,507
Towing contracts	-	-	7,183,541	7,183,541
Professional fees	30,362,811	55,920,282	1,040,411	87,323,504
Allocations to other agencies	-	42,677,112	-	42,677,112
Salaries and benefits	2,507,175	10,990,890	831,645	14,329,710
Repairs and maintenance	-	10,873	1,306,960	1,317,833
Communication charges	189	205,602	94,337	300,128
Depreciation and amortization	-	5,803,130	403,466	6,206,596
Other operating expenses	1,405,596	19,899,826	602,766	21,908,188
TOTAL OPERATING EXPENSES	34,275,771	165,217,440	11,463,126	210,956,337
OPERATING INCOME (LOSS)	(15,961,056)	582,043,916	(4,746,729)	561,336,131
NONOPERATING REVENUES (EXPENSES)				
Investment income (charge)	38,618	171,697,480	72,262	171,808,360
Build America Bonds (BABs) interest subsidy	-	71,297,932	-	71,297,932
Interest expense	-	(452,371,630)	-	(452,371,630)
Financing fees	-	(3,371,040)	-	(3,371,040)
Other nonoperating expense	-	(10,376,758)	-	(10,376,758)
Caltrans/ other agency grants	220,294	9,534,709	3,170,468	12,925,471
Federal grants	7,060,290	-	3,403,238	10,463,528
Distributions to other agencies for their capital purposes	(10,817,746)	(128,253,119)	-	(139,070,865)
Distributions to Caltrans for their capital purposes	-	(221,054,905)	-	(221,054,905)
Return of contribution from BAHA	-	29,700,000	-	29,700,000
Gain on sale of capital assets	-	757,260	620,676	1,377,936
Other nonoperating revenues	1,939,039	1,524,628	-	3,463,667
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,559,505)	(530,915,443)	7,266,644	(525,208,304)
INCOME (LOSS) BEFORE TRANSFERS	(17,520,561)	51,128,473	2,519,915	36,127,827
TRANSFERS				
Transfers to Metropolitan Transportation Commission	(591,718)	(26,816,342)	(609,660)	(28,017,720)
Transfers from Metropolitan Transportation Commission	12,786,709	-	-	12,786,709
Transfer between programs	2,199,966	(2,499,966)	300,000	-
TOTAL TRANSFERS	14,394,957	(29,316,308)	(309,660)	(15,231,011)
CHANGE IN NET POSITION	(3,125,604)	21,812,165	2,210,255	20,896,816
Total net position - beginning	8,241,862	(6,662,356,977)	23,117,720	(6,630,997,395)
Total net position - ending	\$ 5,116,258	\$ (6,640,544,812)	\$ 25,327,975	\$ (6,610,100,579)

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Changes in Net Position-
Proprietary Funds
For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	MTC-Clipper®	Bay Area Toll Authority	Service Authority for Freeways and Expressways	
OPERATING REVENUES				
Toll revenues collected	\$ -	\$ 714,132,356	\$ -	\$ 714,132,356
Department of Motor Vehicles registration fees	-	-	6,582,736	6,582,736
Revenues from operators	17,319,246	-	-	17,319,246
Other operating revenues	-	22,829,705	7,647	22,837,352
TOTAL OPERATING REVENUES	17,319,246	736,962,061	6,590,383	760,871,690
OPERATING EXPENSES				
Operating expenses incurred by Caltrans	-	26,375,592	-	26,375,592
Operating expenses - Transbay JPA	-	3,817,607	-	3,817,607
Towing contracts	-	-	7,240,168	7,240,168
Professional fees	29,432,812	49,823,753	509,702	79,766,267
Allocations to other agencies	-	36,522,647	-	36,522,647
Salaries and benefits	2,191,202	9,909,270	894,820	12,995,292
Repairs and maintenance	-	12,928	406,776	419,704
Communication charges	60	211,250	110,949	322,259
Depreciation and amortization	-	4,978,533	459,750	5,438,283
Other operating expenses	1,533,418	18,002,480	748,533	20,284,431
TOTAL OPERATING EXPENSES	33,157,492	149,654,060	10,370,698	193,182,250
OPERATING INCOME (LOSS)	(15,838,246)	587,308,001	(3,780,315)	567,689,440
NONOPERATING REVENUES (EXPENSES)				
Investment income (charge)	8,526	(175,381,004)	13,684	(175,358,794)
Build America Bonds (BABs) interest subsidy	-	71,259,651	-	71,259,651
Interest expense	-	(443,036,331)	-	(443,036,331)
Financing fees	-	(3,248,348)	-	(3,248,348)
Other nonoperating expense	-	(709,614)	(752)	(710,366)
Caltrans/ other agency operating grants	3,667,493	8,919,824	4,900,462	17,487,779
Federal grants	11,594,115	-	2,047,267	13,641,382
Distributions to other agencies for their capital purposes	(10,932,825)	(154,895,786)	(47,155)	(165,875,766)
Distributions to Caltrans for their capital purposes	-	(183,073,540)	-	(183,073,540)
Capital contribution to Bay Area Headquarters Authority	-	(925,937)	-	(925,937)
Other nonoperating revenues	1,675,184	2,200,203	-	3,875,387
TOTAL NONOPERATING REVENUES (EXPENSES)	6,012,493	(878,890,882)	6,913,506	(865,964,883)
INCOME (LOSS) BEFORE TRANSFERS	(9,825,753)	(291,582,881)	3,133,191	(298,275,443)
TRANSFERS				
Transfers to Metropolitan Transportation Commission	(979,807)	(28,438,660)	(1,204,196)	(30,622,663)
Transfers from Metropolitan Transportation Commission	13,638,401	-	-	13,638,401
Transfer between programs	2,505,083	(2,805,083)	300,000	-
TOTAL TRANSFERS	15,163,677	(31,243,743)	(904,196)	(16,984,262)
CHANGE IN NET POSITION	5,337,924	(322,826,624)	2,228,995	(315,259,705)
Total net position - beginning, as restated (note 1.C)	2,903,938	(6,339,530,353)	20,888,725	(6,315,737,690)
Total net position - ending	\$ 8,241,862	\$ (6,662,356,977)	\$ 23,117,720	\$ (6,630,997,395)

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds			Total
	MTC-Clipper®	Bay Area Toll Authority	Service Authority for Freeways and Expressways	
Cash flows from operating activities				
Cash receipts from users and others	\$ 21,701,937	\$ 754,648,104	\$ 6,689,213	\$ 783,039,254
Cash payments to suppliers and employees for services	(36,513,253)	(139,464,786)	(8,768,028)	(184,746,067)
Net cash provided by/(used in) operating activities	(14,811,316)	615,183,318	(2,078,815)	598,293,187
Cash flows from non-capital financing activities				
Caltrans and other state and local agency grants	20,140	10,737,898	4,161,334	14,919,372
Proceeds from issuance of revenue bonds	-	320,745,358	-	320,745,358
Build America Bonds interest subsidy	-	71,317,072	-	71,317,072
Interest paid on bonds	-	(443,168,331)	-	(443,168,331)
Financing fees	-	(3,360,555)	-	(3,360,555)
Federal grants	10,315,594	-	3,149,410	13,465,004
Transfers (to)/from MTC and SAFE	17,051,323	(12,256,291)	(212,235)	4,582,797
Cost of issuance of revenue bonds	-	(2,244,960)	-	(2,244,960)
Bond principal payments	-	(54,835,000)	-	(54,835,000)
Payment for refunding of bonds	-	1,513,942	-	1,513,942
Distributions to Caltrans	-	(232,500,771)	-	(232,500,771)
Distributions to other agencies	(10,025,325)	(154,645,209)	(47,155)	(164,717,689)
Due from BATA	-	-	300,000	300,000
Return of contribution from BAHA	-	10,400,000	-	10,400,000
Net cash provided by/(used in) non-capital financing activities	17,361,732	(488,296,847)	7,351,354	(463,583,761)
Cash flows from capital and related financing activities				
Sale of capital assets	-	1,634,760	1,528,898	3,163,658
Acquisition of capital assets	-	(31,188,811)	-	(31,188,811)
Net cash provided by/(used in) capital and related financing activities	-	(29,554,051)	1,528,898	(28,025,153)
Cash flows from investing activities				
Proceeds from maturities of investments	-	4,876,107,423	-	4,876,107,423
Purchase of investments	-	(5,100,523,851)	-	(5,100,523,851)
Interest and dividends received	38,618	14,640,923	71,641	14,751,182
Net cash provided by/(used in) investing activities	38,618	(209,775,505)	71,641	(209,665,246)
Net increase/(decrease) in cash	2,589,034	(112,443,085)	6,873,078	(102,980,973)
Balances - beginning of year	5,117,160	347,859,988	12,567,332	365,544,480
Balances - end of year	\$ 7,706,194	\$ 235,416,903	\$ 19,440,410	\$ 262,563,507

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Cash Flows - Proprietary Funds, *continued*
For the Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds			Total
	MTC-Clipper®	Bay Area Toll Authority	Service Authority for Freeways and Expressways	
Reconciliation of operating income to net cash provided by/(used in) operating activities				
Operating income (loss)	\$ (15,961,056)	\$ 582,043,916	\$ (4,746,729)	\$ 561,336,131
Adjustments to reconcile operating net cash provided by/(used in) operating activities:				
Depreciation and amortization	-	5,803,130	403,466	6,206,596
Other revenues	1,939,039	1,524,628	-	3,463,667
Other expenses	-	(68,881)	-	(68,881)
Net effect of changes in:				
Due (to)/from MTC	(97,716)	-	2,023,252	1,925,536
Accounts receivable	1,448,183	(2,366,350)	-	(918,167)
Prepaid expenses and other assets	45,171	314,723	508,152	868,046
Due to Caltrans	-	(2,485,025)	-	(2,485,025)
Accounts payable and accrued expenses	(2,144,907)	21,807,743	(267,494)	19,395,342
Unearned revenue	-	7,486,408	-	7,486,408
Patron deposits	-	805,440	-	805,440
State funding due	-	499,447	13,779	513,226
Deferred outflows from pension	(348,008)	(1,636,031)	(122,264)	(2,106,303)
Net pension liability	431,946	2,016,995	149,987	2,598,928
Deferred inflows from pension	(123,968)	(562,825)	(40,964)	(727,757)
Net cash provided by/(used in) operating activities	\$ (14,811,316)	\$ 615,183,318	\$ (2,078,815)	\$ 598,293,187

Significant Noncash Investing, Capital, and Financing Activities

Refunding bond proceeds received in escrow trust fund	\$ -	\$ 552,445,000	\$ -	\$ 552,445,000
Debt refunded through escrow trust fund	-	(552,445,000)	-	(552,445,000)
Acquisition of furniture and equipment under accounts payable/accrued liabilities	-	4,614,301	-	4,614,301
Acquisition of intangibles under accounts payable/accrued liabilities	-	2,798,342	-	2,798,342
Investment contribution from BAHA	-	19,300,000	-	19,300,000
Net increase in fair value of derivative instruments	-	155,538,930	-	155,538,930
Bond premium/discount amortization	-	14,303,169	-	14,303,169
Deferred charge amortization	-	(35,494,572)	-	(35,494,572)

Metropolitan Transportation Commission
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds			Total
	MTC-Clipper®	Bay Area Toll Authority	Service Authority for Freeways and Expressways	
Cash flows from operating activities				
Cash receipts from users and others	\$ 18,160,860	\$ 742,936,791	\$ 6,482,312	\$ 767,579,963
Cash payments to suppliers and employees for services	(30,750,343)	(142,019,890)	(11,226,345)	(183,996,578)
Net cash provided by/(used in) operating activities	(12,589,483)	600,916,901	(4,744,033)	583,583,385
Cash flows from non-capital financing activities				
Caltrans and other state and local agency grants	3,635,417	6,259,218	3,386,166	13,280,801
Build America Bonds interest subsidy	-	71,163,950	-	71,163,950
Interest paid on bonds	-	(437,260,417)	-	(437,260,417)
Financing fees	-	(3,454,198)	-	(3,454,198)
Federal grants	8,233,653	-	3,096,072	11,329,725
Transfers (to)/from MTC and SAFE	11,005,224	(11,424,854)	(626,901)	(1,046,531)
Bond principal payments	-	(56,915,000)	-	(56,915,000)
Distributions to Caltrans	-	(189,211,883)	-	(189,211,883)
Distributions to other agencies	(13,322,157)	(168,275,244)	-	(181,597,401)
Capital contribution to BAHA	-	(925,937)	-	(925,937)
Net cash provided by/(used in) non-capital financing activities	9,552,137	(790,044,365)	5,855,337	(774,636,891)
Cash flows from capital and related financing activities				
Acquisition of capital assets	-	(28,766,387)	(441,345)	(29,207,732)
Net cash provided by/(used in) capital and related financing activities	-	(28,766,387)	(441,345)	(29,207,732)
Cash flows from investing activities				
Proceeds from maturities of investments	-	5,800,951,144	-	5,800,951,144
Purchase of investments	-	(5,838,658,629)	(385)	(5,838,659,014)
Interest and dividends received	8,526	10,661,699	13,587	10,683,812
Net cash provided by/(used in) investing activities	8,526	(27,045,786)	13,202	(27,024,058)
Net increase/(decrease) in cash	(3,028,820)	(244,939,637)	683,161	(247,285,296)
Balances - beginning of year	8,145,980	592,799,625	11,884,171	612,829,776
Balances - end of year	\$ 5,117,160	\$ 347,859,988	\$ 12,567,332	\$ 365,544,480

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Cash Flows - Proprietary Funds, *continued*
For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds			Total
	MTC-Clipper®	Bay Area Toll Authority	Service Authority for Freeways and Expressways	
Reconciliation of operating income to net cash provided by/(used in) operating activities				
Operating income/(loss)	\$ (15,838,246)	\$ 587,308,001	\$ (3,780,315)	\$ 567,689,440
Adjustments to reconcile operating income to net cash provided by/(used in) operating activities:				
Depreciation and amortization	-	4,978,533	459,750	5,438,283
Other revenues	1,675,184	2,775,242	-	4,450,426
Other expenses	-	(667,773)	-	(667,773)
Net effect of changes in:				
Due (to)/from MTC	97,716	-	(1,100,351)	(1,002,635)
Accounts receivable	(833,570)	(2,261,396)	524	(3,094,442)
Prepaid expenses and other assets	(70,350)	(45,684)	(13,114)	(129,148)
Due to Caltrans	-	2,475,466	-	2,475,466
Accounts payable and accrued expenses	2,474,707	1,303,514	(173,824)	3,604,397
Unearned revenue	-	5,712,127	-	5,712,127
Patron deposits	-	627,090	-	627,090
State funding due	-	(878,332)	(108,070)	(986,402)
Deferred outflows from pension	(344,393)	(1,379,721)	(102,002)	(1,826,116)
Net pension liability	245,205	951,421	72,082	1,268,708
Deferred inflows from pension	4,264	18,413	1,287	23,964
Net cash provided by/(used in) operating activities	\$ (12,589,483)	\$ 600,916,901	\$ (4,744,033)	\$ 583,583,385

Significant Noncash Investing, Capital, and Financing Activities

Acquisition of furniture and equipment under accounts payable/acrued liabilities	\$	-	\$ 6,737,439	\$	-	\$ 6,737,439
Acquisition of intangibles under accounts payable/acrued liabilities		-	2,417,796		-	2,417,796
Net decrease in fair value of derivative instruments		-	(187,386,795)		-	(187,386,795)
Bond premium/discount amortization		-	14,820,913		-	14,820,913
Deferred charge amortization		-	(36,251,068)		-	(36,251,068)

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 184,460,544	\$ 181,034,595
Accounts receivable	7,300,417	8,366,348
Interest receivable	<u>60,609</u>	<u>18,499</u>
TOTAL ASSETS	<u>\$ 191,821,570</u>	<u>\$ 189,419,442</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 99,222,029	\$ 88,033,891
Due to other governments	<u>92,599,541</u>	<u>101,385,551</u>
TOTAL LIABILITIES	<u>\$ 191,821,570</u>	<u>\$ 189,419,442</u>

See Schedule 13, Combining Statement of Changes in Assets and Liabilities by Participant - Agency Funds in Other Supplementary Information section for details.

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Metropolitan Transportation Commission (MTC) was established under the laws of the State of California in Government Code Section 66500 et seq. in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area, which includes the City and County of San Francisco and the counties of Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

MTC's principal sources of revenue to fund its governmental operations include state grants, a percentage of the sales tax revenues collected in the nine Bay Area counties under the State Transportation Development Act of 1971 (TDA) and grants from the U.S. Department of Transportation, Office of the Secretary of Transportation (U.S. DOT), including the Federal Highway Administration (FHWA), Federal Transit Administration (FTA) and other federal, state and local agencies. These are the principal sources of revenues susceptible to accrual under the modified accrual method described later within this note. Fees are the primary source of revenue for the proprietary funds described in this note.

The accompanying financial statements present MTC, its blended component units, and its discretely presented component unit. MTC is the primary government as defined in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended. Its governing board is separately appointed, and it is fiscally independent of other governments. The blended component units discussed below are included as part of the reporting entity because their boards are substantially the same as the primary government's board, and the management of the primary government has the operational responsibility for the component units. The blended component units, although legally separate entities are, in substance, part of MTC's operations, and financial data from these units are combined with financial data of MTC in preparing the government-wide financial statements. The MTC board also serves as the governing body for all its blended component units.

MTC has two discretely presented component units – Bay Area Infrastructure Financing Authority (BAIFA) and Bay Area Headquarters Authority (BAHA). There was no activity in BAIFA for fiscal years 2017, 2016, and 2015, nor assets, liabilities, nor net position at June 30, 2017, 2016, and 2015. Accordingly, only BAHA is presented in a separate column on the face of the government-wide financial statements in the far right column.

Blended component units

i.) Bay Area Toll Authority

The Bay Area Toll Authority (BATA) is a public agency created by Senate Bill 226 effective January 1, 1998 with responsibilities for the disposition of toll revenues collected from the seven State owned toll bridges in the San Francisco Bay Area. The bridges are the Antioch Bridge, Benicia-Martinez Bridge, Carquinez Bridge, Dumbarton Bridge, Richmond-San Rafael Bridge, San Francisco-Oakland Bay Bridge and San Mateo-Hayward Bridge. BATA is a proprietary fund as it generates revenue from toll bridge receipts and its debt is collateralized solely by toll revenue as more fully described in Note 5, Long-Term Debt.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Notes to Financial Statements

Pursuant to Senate Bill 226, a five year Cooperative Agreement was signed on March 2, 1998 defining the roles and responsibilities of BATA and Caltrans with respect to the collection and disposition of toll bridge revenues. The current ten-year agreement was signed in 2006 and amended and restated in June 2011 with an expiration of July, 2020.

Under the terms of the Cooperative Agreement, BATA has responsibility for cash management and electronic toll collection while Caltrans' responsibilities include the ownership, operation and maintenance of the bridges. See Note 1S for information on Caltrans' operating expenditures.

ii.) MTC Service Authority for Freeways and Expressways (MTC SAFE)

In June 1988, MTC SAFE was created to receive fees collected by the Department of Motor Vehicles pursuant to Streets and Highways Code Section 2555 et seq., which permits the collection of up to \$1 per registered vehicle in participating counties. These fees represent charges for services rendered to external users. MTC SAFE is responsible for administering a freeway motorist aid system in the participating counties, referred to as the Call Box program. The following counties are participants in the MTC SAFE: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma.

In 1993, MTC SAFE's responsibilities were expanded, pursuant to a jointly adopted Memorandum of Understanding between MTC SAFE, Caltrans, and the California Highway Patrol (CHP), to participate in the development and implementation of a Freeway Service Patrol (FSP) program in the San Francisco Bay Area. The three principal sources of funding for the FSP program are state-legislated grants, federal grants, and funding from federal traffic mitigation programs.

Discretely presented component units

A component unit is a legally separate organization for which elected officials of the primary government are financially accountable. It can also be an organization whose relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. MTC has two discretely presented component units, BAIFA and BAHA.

iii.) Bay Area Infrastructure Financing Authority (BAIFA)

BAIFA was established in August 2006 pursuant to the California Joint Exercise of Powers Act (Act), consisting of Sections 6500 through 6599.2 of the California Government Code which authorizes to BAIFA the joint exercise powers common to MTC and BATA. There are six Commissioners on the governing board for BAIFA. BAIFA's board consists of MTC and BATA Oversight Committee chairs and four Commissioners. BAIFA is authorized to plan, obtain funding, issue debt and apply funds received to pay debt service on bonds issued by BAIFA to finance or refinance public transportation and related capital improvements projects. There was no activity in BAIFA for fiscal years 2017, 2016, and 2015, nor assets, liabilities, nor net position at June 30, 2017, 2016, and 2015.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

iv.) Bay Area Headquarters Authority (BAHA)

BAHA was established in September 2011 pursuant to the California Joint Exercise of Powers Act, consisting of Sections 6500 through 6599.2 of the California Government Code, which authorizes BAHA to exercise powers common to MTC and BATA. There are six Commissioners on the governing board for BAHA. BAHA's board consists of four MTC Commissioners and two BATA Commissioners. BAHA is authorized to plan, acquire, and develop its office space and facilities directly or through contract. On October 14, 2011 BAHA acquired property located at 375 Beale Street, in San Francisco, California for the purpose of establishing a Bay Area Regional Headquarters for MTC, the Bay Area Air Quality Management District, and the Association of Bay Area Governments. The three agencies moved to the new building, Bay Area Metro Center (BAMC), in fiscal year 2016. BAHA is presented as a proprietary fund in the discretely presented component unit column of the government-wide financial statements because it does not meet the criteria for blending under the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus- an amendment of GASB Statements No. 14 and No. 39*. Requests for separately issued financial statements for BAHA should be addressed to the Treasurer and Auditor, Bay Area Headquarters Authority, 375 Beale Street, Suite 800, San Francisco, CA 94105.

B. Government-Wide and Fund Financial Statements

Basis of presentation - government-wide statements

The government-wide financial statements (i.e. Statement of Net Position and Statement of Activities) report information on all non-fiduciary activities of MTC and its component units. The effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities* which rely to a significant extent on fees and charges for support.

Basis of presentation - fund financial statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following funds:

i.) MTC General Fund

MTC General Fund is used to account for financial resources not accounted for or reported in another fund.

ii.) MTC Special Revenue Funds

Special revenue funds are used to account for specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. MTC maintains various special revenue funds as follows:

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Notes to Financial Statements

Major Funds

AB 664 Net Toll Revenue Reserve Fund – Under Section 30884 (a) of the Streets and Highways Code, the AB 664 Net Toll Revenue Fund receives 16 percent of the base toll revenues collected on the three southern bridges, San Francisco-Oakland Bay Bridge, Dumbarton Bridge and San Mateo-Hayward Bridge. These funds are allocated by policy, 70 percent to East Bay and 30 percent to West Bay, to agency capital projects that further the development of public transit in the vicinity of the three southern bridges.

State Transit Assistance (STA) Fund – State Transit Assistance Funds are used for transit and paratransit operating assistance, transit capital projects, and regional transit coordination. STA funds are derived from the state sales tax on fuel and apportioned by state statute between population-based and revenue-based accounts. PUC Section 99313 defines population-based funds and PUC Section 99314 defines revenue-based funds.

Rail Reserves Fund – Under Section 30914 (a.4) of the Streets and Highways Code, the Rail Reserves Fund receives 21 percent of base toll revenues collected on the San Francisco-Oakland Bay Bridge. These funds are allocated exclusively for rail transit capital extension and improvement projects that are designed to reduce vehicular traffic congestion on the San Francisco-Oakland Bay Bridge. 70 percent of the Rail Reserves are allocated for East Bay rail improvements and the remaining 30 percent for West Bay rail improvements.

BART Car Exchange Fund – Funds deposited are restricted to the purpose of BART car replacement projects. MTC and BART established the funding exchange program whereby MTC will program Federal Funds for current BART projects with BART depositing an equal amount of local funds into an account set aside for the BART car fleet replacement. The project began in fiscal year 2013.

Non-major Funds

Transit Reserve Fund – MTC maintains a Transit Reserve Fund pursuant to Regional Measure 1. The calculation of the transit reserves is set forth in Section 30913 (b) of the Streets and Highways Code as one third of two percent of base toll revenues collected on all seven Bay Area state-owned bridges.

Caltrans also has a Cooperative Agreement with BATA and MTC whereby Caltrans transfers state funding to MTC for ferry operations and other transit/bicycle projects.

Exchange Fund – Exchange Funds are used for MTC projects adopted as part of its Surface Transportation Program (STP) and Congestion Mitigation and Air Quality Improvement (CMAQ) program. The restriction is established by Commission resolution.

Feeder Bus Fund – Funds from local agencies are used to reimburse various transit operators for operating the BART Express Bus Program.

Proposition 1B Fund – This fund includes revenue from the Caltrans Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA) grant. This is a grant funded by Proposition 1B Regional Transit Connectivity Program funds. MTC's Hub Signage Project, which improves signage at major transportation hubs, is the only project in this fund for fiscal years 2017 and 2016.

MTC Capital Projects Fund – MTC Capital Projects Fund, which includes the building improvement reserve, is used to account for and report the financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition and development of capital facilities and other capital assets.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Notes to Financial Statements

In fiscal years 2017 and 2016, the following funds are considered non-major: Transit Reserve Fund, Exchange Fund, Feeder Bus Fund, Proposition 1B Fund and Capital Projects Fund. The following funds are considered major governmental funds: MTC General Fund, STA Fund, Rail Reserves Fund, AB 664 Net Toll Revenue Reserve Fund, and BART Car Exchange Fund. The balance sheet and statements of revenues, expenditures and changes in fund balances and budget to actual statements of revenues and change in fund balances are presented for these funds.

iii.) MTC Enterprise Fund - Clipper®

In July 2010, MTC assumed responsibility for operating the Clipper® smart card program under the Memorandum of Understanding with seven Bay Area transit organizations. Clipper® smart card operating and capital costs are incurred by MTC's Clipper® fund. MTC Clipper® seeks payment from participating transit operators for service provided related to the operations and capital expenditures of this program. The cash account and patron liability is held as an agency fund. See Note I.B (iv) for information on the Clipper® program agency fund.

iv.) MTC Fiduciary Funds

MTC reports the following fiduciary funds to account for assets held by MTC in a trustee capacity or as an agent. These agency funds are custodial in nature, do not have a measurement of results of operations and they are on the accrual basis of accounting.

AB 1107 Fund – BART Half-Cent Sales Tax (AB 1107) funds are used to account for the activities of the AB 1107 Program. AB 1107 funds are sales tax revenue collected under the ordinance adopted pursuant to Section 29140 of the Public Utilities Code. These funds are administered by MTC for allocation to the Alameda-Contra Costa Transit District (AC Transit) and the City and County of San Francisco for its municipal railway system (MUNI) on the basis of regional priorities established by MTC.

Transportation Development Act (TDA) Program Fund – Funds are used to account for the activities of the TDA Program. In accordance with state regulations and memoranda of understanding with operators and local municipalities, MTC is responsible for the administration of sales tax revenue derived from the TDA.

Clipper® Program Fund – These agency funds are used to reimburse transit operators for rides taken by patrons using the Clipper® smart card.

C. Measurement Focus, Basis of Accounting and Financial Statements Presentation

The government-wide and proprietary financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable within the current period or soon enough afterwards to pay liabilities of the current period. All revenue sources included in the governmental funds, namely federal, state and local grants as well as sales tax revenue, utilize this revenue recognition methodology.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Notes to Financial Statements

New Accounting Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application*, provides guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. This standard was issued in February 2015 and is effective for reporting periods beginning after June 15, 2015. The standard was adopted by MTC for fiscal year ended June 30, 2016. The adoption of this standard by MTC resulted in a change to the methodology used by management to calculate the fair value of investments derivatives to incorporate a credit valuation adjustment at June 30, 2016 and additional disclosures. GASB Statement No. 72 provides an exception not to restate prior year information if it is impractical to do so. Given the difficulty in obtaining relevant data as of earlier dates, investment derivatives as of June 30, 2015 were not restated in accordance with GASB Statement No. 72, but the cumulative effect of applying GASB Statement No. 72 was reported as restatement of beginning net position on July 1, 2015. For additional information on the impact of adoption of GASB Statement No. 72 on the financial statements, see Note 3.B.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, extends the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also clarifies the application of certain provisions of Statements No. 67 and 68. This standard was issued in June 2015 and is effective for reporting periods beginning after June 15, 2015. This standard did not have any impact on MTC's financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and Statement No. 57, *Other Post Employment Benefit (OPEB) Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 50, *Pension Disclosures*. This standard establishes new accounting and financial reporting requirements for OPEB plans. This standard was issued in June 2015 and is effective for reporting periods beginning after June 15, 2016. This standard did not have any impact on MTC's financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This standard establishes new accounting and financial reporting requirements for those governments whose employees are provided with other post employment benefits (OPEB), as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This standard was issued in June 2015 and is effective for reporting periods beginning after June 15, 2017. Management is currently evaluating the effect of this standard on MTC's financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Notes to Financial Statements

or other event is not specified within a source of authoritative GAAP. This standard was issued in June 2015 and is effective for reporting periods beginning after June 15, 2015 and should be applied retroactively. The standard was adopted by MTC for fiscal year ended June 30, 2016. The adoption of this standard did not have any impact on MTC's financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by abatement recipients, 2) the gross dollar amount of taxes abated during the period, and 3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The requirements of this Statement are effective for fiscal years beginning after December 15, 2015. This standard did not have any impact on MTC's financial statements.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-employer Defined Benefit Pension Plans*, amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: 1) is not a state or local governmental pension plan, 2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and 3) has no predominant state or local governmental employer (either individual or collectively with other states or local governmental employers that provide pensions through the pension plan). This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this statement are effective for fiscal years beginning after December 15, 2015. This standard did not have any impact on MTC's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this statement. This statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The requirements of this statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. This standard did not have any impact on MTC's financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this statement are effective for reporting periods beginning after June 15, 2016. This standard did not have any impact on MTC's financial statements.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Notes to Financial Statements

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statement No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information (RSI), (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This standard was adopted early by MTC for fiscal year ended June 30, 2016. The adoption of this standard changed the presentation of payroll-related measures from covered-employee payroll to covered payroll in the required supplementary information (RSI).

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses requirements regarding the retirement of certain tangible assets for all state and local governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. Management is currently evaluating the effect of this standard on MTC's financial statements.

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the effect of this standard on MTC's financial statements.

GASB Statement No. 85, *Omnibus 2017*, addresses various practice issues including related blending component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). The requirements of this statement are effective for reporting periods beginning after June 15, 2017. Management is currently evaluating the effect of this standard on MTC's financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2017. Management is currently evaluating the effect of this standard on MTC's financial statements.

GASB Statement No. 87, *Leases*, is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the effect of this standard on MTC's financial statements.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

D. Budgetary Accounting

Enabling legislation and adopted policies and procedures provide that MTC and its operating entities approve an annual budget by June 30 of each year. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental and proprietary funds. MTC also approves a life-to-date project budget whenever new projects are approved. MTC presents a preliminary budget in May and a final budget in June. MTC conducts hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but not later than June 30, adopts the final budget for the following fiscal year. The appropriated budget is prepared by fund, project and expense type. The legal level of control is at the fund level and the governing body must approve additional appropriations. Budget amendments are recommended when needed. Operating appropriations lapse at fiscal year-end.

MTC employs the following practices and procedures in establishing budgetary data as reflected in the basic financial statements:

- Annual budgets are adopted on the modified accrual basis of accounting for governmental fund types. These include the general fund, plus major and non-major special revenue funds. Capital budgets are adopted on a project life-to-date basis.
- Annual budgets are adopted on the accrual basis for the proprietary fund types.

E. Encumbrances

Encumbrance accounting is employed in the general, capital project and special revenue funds. Under this method, purchase orders, contracts, memoranda of understanding and other commitments outstanding at year-end do not constitute expenditures or liabilities. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides additional guidance on the classification within the fund balances section of amounts that have been encumbered. Encumbrances of balances within the general and capital project funds are classified as committed and are included in the "transportation projects" category. These encumbrances, along with encumbrances of balances in funds that are restricted, committed or assigned, are not separately classified in the financial statements, and are summarized as follows:

	<u>2017</u>	<u>2016</u>
General Fund	\$ 2,190,792	\$ 3,580,727
AB 664 Net Toll Revenue	25,417,180	56,906,468
State Transit Assistance Funds	5,081,046	3,520,065
Rail Reserves	44,889,597	80,694,418
Non-major Governmental Funds	3,283,004	3,125,722

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

F. Net Position

Net position, presented in the government-wide financial statements, represents the residual interest in assets plus deferred outflows after liabilities and deferred inflows are deducted. MTC's net position consists of three sections: Net investment in capital assets, as well as restricted and unrestricted. Net position is reported as restricted when constraints are imposed by creditors, grantors, contributors, laws or regulations or other governments or enabling legislation.

Restricted net position consists of amounts restricted for capital projects and other purposes as follows:

	2017	2016
Capital Projects	<u>\$481,090,437</u>	<u>\$467,639,601</u>
Other Purposes:		
Operations & Maintenance reserve, under debt covenant	\$ 150,000,000	\$ 150,000,000
Extraordinary loss reserve, under Caltrans Cooperative Agreement	50,000,000	50,000,000
Net OPEB asset	8,285,618	7,384,385
STA reserve	49,194	158,050
Total Other Purposes	<u>\$208,334,812</u>	<u>\$207,542,435</u>

G. Fund Balances

Fund balances, presented in the governmental fund financial statements, represent the difference between assets, liabilities and deferred inflows and outflows reported in a governmental fund. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. GASB Statement No. 54 requires that the fund balances be classified into categories based upon the type of restrictions imposed on the use of funds.

MTC evaluated each of its funds at June 30, 2017 and 2016 and classified fund balances into the following five categories:

- Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items, are reported in the general fund.
- Restricted – Items that are restricted by external parties such as creditors or imposed by grants, law or legislation. MTC has legislative restrictions on amounts collected for various transportation and rail projects included in the AB 664 Toll Revenue, STA, BART Car Exchange, Transit Reserve, Feeder Bus, Rail Reserves, Proposition 1B and Capital Projects funds.
- Committed – Items that have been committed by formal action by the entity's highest level of decision-making authority, which MTC considers to be Commission resolutions. This level of approval has been reported in the general fund, capital projects fund and the exchange fund.
- Assigned – Items that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. MTC considers this level of authority to be the Administration Committee. This restriction is currently not used on MTC's fund balances.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Notes to Financial Statements

- Unassigned – This category is the residual classification for the general fund. This category represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures exceed amounts restricted, committed, or assigned, it may be necessary to report a negative unassigned fund balance.

MTC reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. MTC reduces committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

GASB Statement No. 54 also clarifies definitions for governmental fund types. MTC evaluated each of its funds at June 30, 2017 and 2016 and provides additional disclosure information with respect to the purpose of each fund (see Note 1.B.).

H. Cash and Investments

MTC applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, as amended (including by GASB Statement No. 72), which generally requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. Investments are stated at fair value based upon quoted market prices. MTC reports its money market securities and cash equivalents at amortized cost. This is permissible under this standard provided those investments have a remaining maturity at the time of purchase of one year or less and that the fair value of those investments is not significantly affected by the credit standing of the issuer or other factors. Net increases or decreases in the fair value of investments are shown in the Statements of Revenues, Expenditures and Changes in Fund Balance for all governmental fund types and in the Statements of Revenues, Expenses and Changes in Net Position for the proprietary funds. Accounting for derivative investments is described in Note 1.T. Investments purchased, but not yet settled in cash, are included in security trade payables in the statement of net position.

MTC invests its available cash under the prudent investor rule. The prudent investor rule states, in essence, that “in investing ... property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs.” This policy affords MTC a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq. Investments allowed under MTC investment policy include the following:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit issued by a nationally or state chartered bank
- Authorized pooled investment programs
- Commercial paper – Rated “A1” or “P1”
- Corporate notes – Rated “A” or better
- Municipal bonds

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

- Mutual funds – Rated “AAA”
- Other investment types authorized by state law and not prohibited in MTC's investment policy.

Cash

MTC considers all balances in demand deposit accounts to be cash. Deposits in the cash management pool of the County of Alameda are presented as cash as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is no significant risk of principal. MTC classifies all other highly liquid cash equivalents as short-term investments.

Restricted Cash

Certain cash is restricted as these assets are either for a specific purpose, escrow accounts with the balance being refunded upon project completion, prepaid customer deposits for the FasTrak[®] program or funds restricted for debt service, or other legal restrictions.

Restricted Investments

Certain investments are classified as restricted on the Statement of Net Position because they are either for a specific purpose, or their use is limited externally by applicable bond covenants, laws or regulations or there exists an imposed restriction through enabling legislation.

Non-current Cash and Investments

Certain cash and investments are non-current as these funds are not available to be expended for current operations with the next fiscal year.

I. Prepaid Items

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items based on the consumption method.

J. Capital Assets

Capital assets, which include buildings and improvements, office furniture and equipment, leased equipment, automobiles and call boxes and software, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital asset acquisitions are recorded at historical cost. MTC's intangible assets consist of purchased and licensed commercially available computer software and internally developed software. Depreciation and amortization expenses for the governmental activities are charged against general government function.

Capital assets are defined by MTC as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. However, capital assets that do not meet the threshold on an individual basis but are material collectively are capitalized. MTC follows the guidance in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion & Analysis - for State and Local Governments* and GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* for recording capital assets.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset service lives are not capitalized.

Depreciation and amortization are computed using the straight-line method that is based upon the estimated useful lives of individual capital assets. The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Buildings and improvements	7-45
Office furniture and equipment	3-15
Intangible assets	5-7
Leased equipment	5
Automobiles	3
Call boxes	10

Depreciation and amortization ceases when the use of capital assets is discontinued or a decision has been made to sell assets and the assets are not continuing to be used. Such assets are also evaluated for impairment.

K. Retirement Plans

MTC provides a defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission (the “Plan”), which provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to Plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees’ Retirement System (CalPERS).

GASB Statement No. 68 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

GASB Statement No. 68 allows use of a measurement date up to 12 months before the employer's fiscal year end. Accordingly, for financial reporting purposes, MTC's total pension liability was determined by CalPERS using a valuation date of June 30, 2015. CalPERS then rolled forward the total pension liability to June 30, 2016, and this is the basis for measuring MTC's net pension liability at June 30, 2017.

For additional information on the Plan, refer to Note 8.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

L. Post Employment Healthcare Benefits

MTC pays certain health care insurance premiums for retired employees. These costs are not recorded in a fiduciary fund by MTC as the assets underlying these future benefits are not managed by MTC. Funds have been deposited into an irrevocable trust currently administered by Public Agency Retirement Services (PARS). The annual required contribution is recorded in salaries and benefits expense. See Note 9 for further detail on the cost and obligations associated with these other post employment benefits (OPEB).

M. Compensated Absences

MTC’s regular staff employees accumulate vacation pay and sick leave pay based on the agreement with the Committee for Staff Representation pursuant to the Meyers–Milius–Brown Act. A liability exists for accumulated vacation and sick leave. The compensated absences liability presented in government-wide governmental activities accounts payable and accrued liabilities, totals \$5,151,294 and \$4,842,422 at June 30, 2017 and 2016, respectively. Unused accumulated sick and vacation leave is paid at the time of employment termination up to a maximum of 240 hours for sick leave as well as the total accumulated vacation leave (a maximum of 500 hours) per employee. Sick and vacation leave payments are recorded in the General Fund. A summary of changes in compensated absences for the year ended June 30, 2017 is as follows:

	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017	Due Within One Year
Compensated Absences	\$ 4,842,422	\$ 3,328,591	\$ (3,019,719)	\$ 5,151,294	\$ 2,294,225

A summary of changes in compensated absences for the year ended June 30, 2016 is as follows:

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Due Within One Year
Compensated Absences	\$ 4,347,801	\$ 3,102,966	\$ (2,608,345)	\$ 4,842,422	\$ 2,096,847

N. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net change in fund balance – total governmental funds and changes in net position of governmental activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures.” However, in the Statement of Activities the cost of those assets is allocated over their estimated useful life and reported as depreciation expense.

The details of the fiscal years 2017 and 2016 reconciling items are as follows:

	2017	2016
Capital outlay	\$ 164,855	\$ 638,583
Depreciation expense	<u>(412,132)</u>	<u>(693,874)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at change in net position of governmental activities	<u>\$ (247,277)</u>	<u>\$ (55,291)</u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

O. Unearned Revenue

The unearned revenue in BATA consists of the funds collected by the Regional Customer Service Center (RCSC). The funds collected by RCSC are prepayments for tolls or represent a deposit from patrons. The patrons are issued transponders with the prepaid amounts for usage against tolls on the California San Francisco Bay Area bridges.

P. Deferred inflows/outflows - revenue, charges and refundings

Deferred revenue includes the unamortized portion of a lump sum payment from BATA to MTC. Details of the transaction are described below.

Streets and Highways codes sections 30890, 30911 and 30914 require BATA to transfer a specific percentage of the net base toll collection to MTC annually. The transfers are called AB 664 Net Toll Revenue Reserve, Transit Reserve and Rail Reserves transfers. In April 2010, MTC entered into a funding agreement with BATA, whereby BATA would make a lump sum payment of \$506,986,537 equal to the present value of the next 50 years of these funds transfers. The funds were transferred on September 30, 2010. MTC and BATA agreed that the payment would fulfill BATA's entire responsibility to make AB 664 Net Toll Reserve, Transit Reserve, and Rail Reserves fund transfers for the next 50 years. MTC is using the payment to fund the planned essential regional transportation projects.

GASB Statement No. 48, *Sales and Pledges of Receivables and Intra-Entity Transfers of Assets and Future Revenues*, as amended by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes the criteria to account for the above transactions. The lump sum payment from BATA to MTC met the criteria of the intra-entity sale of future revenues for fiscal year June 30, 2011. GASB Statement No. 48 requires the intra-entity sale of future revenue to be accounted for as a deferred charge and deferred revenue and amortized over the life of the agreement. The balances in the deferred revenue and deferred charge are reported under Deferred Inflows of Resources in accordance with GASB Statement No. 65. The amortization charges were \$18,298,230 and \$19,045,430 for fiscal years 2017 and 2016, respectively.

Deferred charge includes deferred amounts from bond refundings.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

Q. Deferred Outflows/Inflows on Pensions

Deferred outflows of resources and deferred inflows of resources are recognized for:

- Changes in the total pension liability arising from differences between expected and actual experience with regard to economic or demographic factors.*
- The effects of changes of assumptions about future economic or demographic factors or of other inputs.*
- Difference between projected and actual investment earnings on defined benefit pension plan investments.**

*The balances on these accounts are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of employees determined as of the beginning of the measurement period.

**This amount is recognized in pension expense using a systematic and rational method over a closed five-year period.

Deferred outflows of resources are also used to report MTC's contribution to CalPERS subsequent to the measurement date of the net pension liability and before the end of the reporting period. See Note 8 for additional information.

R. Toll Revenues Collected

BATA accounts for the electronic tolls and cash collected from the operation of the bridges as revenue. BATA recognizes toll revenue as amounts are earned from vehicle utilization of the toll bridges.

S. Operating Expenditures Incurred by Caltrans

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for certain costs incurred for bridge operating expenditures. These expenses include maintenance, administration, operations and overhead costs.

T. Investment Income and Derivative Instruments

Investment income (charge) is comprised of interest income from investments and the changes in the fair value of investment derivative instruments. The investment derivative instrument component is in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, which requires the change in fair value of derivative instruments which are not an effective hedge, for accounting purposes, to be reported in investment income. The following table shows the breakdown of investment income and changes in fair values for the fiscal years ended June 30, 2017 and 2016:

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

	<u>Governmental Activities</u>	<u>BATA</u>	<u>MTC Clipper/ SAFE</u>	<u>Total Business-Type Activities</u>	<u>Total 2017</u>	<u>Total 2016</u>
Investment income	\$ 4,256,850	\$ 16,158,550	\$ 110,880	\$ 16,269,430	\$ 20,526,280	\$ 14,905,453
Investment derivatives	-	155,538,930	-	155,538,930	155,538,930	(187,386,795)
	<u>\$ 4,256,850</u>	<u>\$ 171,697,480</u>	<u>\$ 110,880</u>	<u>\$ 171,808,360</u>	<u>\$ 176,065,210</u>	<u>\$(172,481,342)</u>

U. Distributions to Caltrans for their Capital Purposes

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for bridge capital expenses. Expenses are reflected to the extent Caltrans bills are presented to MTC that relate to the period through the end of the fiscal year. See Note 2 for further details.

V. Distributions to Others for their Capital Purposes / Allocation to Other Agencies

Expenses are recorded or accrued to the extent of the invoices presented to MTC that relate to the fiscal year.

W. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

X. Build America Bonds (BABs) Interest Subsidy

The interest subsidy on the BABs was \$71,297,932 for fiscal year 2017. Of this amount, \$17,819,698 was not received as of June 30, 2017, therefore it is included as a year-end accrual. The Federal government makes a semiannual payment to MTC on April 1 and October 1 of each year. The two interest subsidy payments in fiscal year 2017 were short due to the Federal budget and sequestration constraints. The payments were impacted by a reduction of 6.8% of the subsidy amount for the first quarter and 6.9% for the last three quarters. In fiscal year 2018, the reduction will be 6.6%.

Y. Operating and Nonoperating Revenues and Expenses

Operating revenues are those necessary for principal operations of the entity. Operating expenses are those related to user service activities. Nonoperating revenues and expenses are all other revenues and expenses not related to user service activities.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

2. NET POSITION

MTC's negative net position arises from its business-type activities. For the business-type activities, BATA is responsible for providing Caltrans funding for bridge construction and repairs related to the seven state-owned bridges in the San Francisco Bay Area. Expenses related to these payments to Caltrans are treated as expenses since BATA does not own or maintain title to the bridges. This deficit will be reduced through operating income earned in the future as the toll revenue debt is retired and projects are completed.

3. CASH AND INVESTMENTS

A. A summary of Cash and Investments as shown on the Statement of Net Position for all funds at June 30, 2017 and 2016 is as follows:

	2017	2016
Unrestricted cash	\$ 290,930,675	\$ 433,840,177
Unrestricted investments	<u>1,398,726,567</u>	<u>1,248,389,208</u>
Total unrestricted cash and investments	<u>1,689,657,242</u>	<u>1,682,229,385</u>
Restricted cash	165,717,518	103,931,082
Restricted investments	<u>1,849,425,532</u>	<u>1,840,430,483</u>
Total restricted cash and investments	<u>2,015,143,050</u>	<u>1,944,361,565</u>
Total cash and investments	<u>\$ 3,704,800,292</u>	<u>\$ 3,626,590,950</u>

The details of restricted cash and investments are as follows:

	2017	2016
FasTrak® program	\$ 98,992,689	\$ 90,087,971
Escrow account	228,108	606,893
Bond proceeds for capital projects	8,299,349	7,870,952
Debt service reserve	526,223,870	515,292,195
Operations & maintenance reserve	150,000,000	150,000,000
Extraordinary loss reserve	50,000,000	50,000,000
Rehabilitation reserve	120,000,000	120,000,000
Projects/ self insurance reserves	580,000,000	580,000,000
Variable rate risk reserve	100,000,000	100,000,000
Capital projects	266,482	3,559,290
BART car exchange project	<u>381,132,552</u>	<u>326,944,264</u>
Total restricted cash and investments	<u>\$ 2,015,143,050</u>	<u>\$ 1,944,361,565</u>

Restricted cash on the FasTrak® program consists of customer prepaid tolls and deposits from patrons. The patrons are issued transponders with the prepaid amounts for usage against tolls on the California San Francisco Bay Area bridges. Tolls are deducted from customers' prepaid toll accounts as customers cross a bridge. Operations & maintenance reserve, Debt service reserve, Extraordinary loss reserve, Rehabilitation reserve, Projects/Operating reserve as well as the Variable rate risk reserve are described in Note 5. The BART car exchange project is described in Note 1.B.ii.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

B. The composition of cash and investments at June 30, 2017 and 2016 is as follows:

Cash and cash equivalents

	2017	2016
Cash at banks	\$ 257,091,971	\$ 286,000,868
Money market mutual funds	159,312,790	210,660,788
County of Alameda	40,243,432	41,109,603
Total cash and cash equivalents	<u>\$ 456,648,193</u>	<u>\$ 537,771,259</u>

MTC holds a position in the investment pool of County of Alameda in the amount of \$40,243,432 and \$41,109,603 at June 30, 2017 and 2016, respectively. The Transportation Development Act (TDA) requires that STA and local TDA funds be deposited with the respective County Treasury. Deposits with the County of Alameda are available for immediate withdrawal.

The mutual fund investments in MTC's investment portfolio are expressed as a percentage of MTC's total cash and investments as follows:

	<u>2017</u>	<u>2016</u>
Mutual Fund		
CalTRUST Medium-Term Fund	5%	0%
Money Market Mutual Funds		
BlackRock T-Fund Institutional	less than 1%	1%
Morgan Stanley Government Portfolio	2%	3%
California Asset Management Program	less than 1%	less than 1%
BlackRock Treasury Trust Fund	2%	0%
BlackRock Federal Trust Fund	0%	2%
CalTRUST Heritage Money Market	0%	1%

Mutual Fund

The CalTRUST Medium-Term Fund is an investment through the CalTRUST joint powers authority. The fund invests in debt securities issued by government and corporate entities. The fund has an average maturity of approximately 2 years and is rated "A+" by Standard and Poor's.

Money Market Mutual Funds

The BlackRock T-Fund Institutional fund is part of the overnight sweep fund utilized by Union Bank trustee accounts, and invests primarily in money market instruments including U.S. Treasury bills, notes, obligations guaranteed by the U.S. Treasury and repurchase agreements fully collateralized by such obligations. The fund is rated "AAA/Aaa" by Standard & Poor's and Moody's, respectively.

The Morgan Stanley Government Portfolio is part of the overnight sweep fund utilized by Bank of New York trustee and custodial accounts and Union Bank custodial accounts. The fund invests in obligations issued or guaranteed by the U.S. Government and its agencies and instrumentalities and in repurchase

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Notes to Financial Statements

agreements collateralized by such securities. The fund is rated "AAA/Aaa" by Standard and Poor's and Moody's, respectively.

The California Asset Management Program (CAMP) fund is a joint powers authority and common law trust. The Trust's Cash Reserve Portfolio is a short-term money market portfolio, which seeks to preserve principal, provide daily liquidity and earn a high level of income consistent with its objectives of preserving principal. CAMP's money market portfolio is rated "AAA" by Standard & Poor's.

The BlackRock Treasury Trust Fund is part of the overnight sweep fund utilized by Bank of America checking accounts and invests 100% of its total assets in cash, U.S. Treasury bills, notes and other obligations issued or guaranteed as to principal and interest by the U.S. Treasury. The fund is rated "AAA/Aaa" by Standard and Poor's and Moody's, respectively.

The BlackRock Federal Trust Fund is part of the overnight sweep fund utilized by Bank of America checking accounts and invests in cash, U.S. Treasury bills, notes and other obligations issued or guaranteed by the U.S. Government or by its agencies or instrumentalities. The fund is rated "AAA/Aaa" by Standard and Poor's and Moody's, respectively.

The CalTRUST Heritage Money Market Fund is an investment through the CalTRUST joint powers authority. The Heritage Money Market Fund seeks current income while preserving capital and liquidity by investing in high-quality, short-term, U.S. dollar-denominated money market instruments of domestic and foreign issuers. The fund is rated "AAA/Aaa" by Standard and Poor's and Moody's respectively.

State law and MTC policy limit mutual fund investments to 20 percent of the portfolio, with no more than 10 percent of the portfolio in any single fund. All the mutual fund holdings are highly rated by Standard & Poor's and Moody's.

Investments

GASB Statement No. 72 sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2017 and 2016:

Corporate bonds, commercial paper, government sponsored enterprises notes, municipal bonds and certificates of deposits: These investments are valued on the basis of prices provided by Interactive Data Pricing and Reference Data LLC. In determining the value of a particular investment at bid, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices and market transactions in comparable investments and various relationships between investments.

Local Agency Investment Fund: The position in the California State Local Agency Investment Fund is determined by the fair value of the pool's underlying portfolio. CalTRUST Medium-Term Fund: The position in the CalTRUST Medium-Term Fund is determined by the fair value of the fund's underlying portfolio.

The following tables set forth by level, within the fair value hierarchy, MTC's investments at fair value.

Investments by fair value level at June 30, 2017	Level 1	Level 2	Level 3	Total
Government-Sponsored Enterprises:				
Federal Home Loan Bank Notes	\$ -	\$ 1,812,163,572	\$ -	\$ 1,812,163,572
Federal Home Loan Mortgage Corporation Notes	-	1,017,064,673	-	1,017,064,673
Federal National Mortgage Association Notes	-	137,144,150	-	137,144,150
Federal Farm Credit Bank Notes	-	58,282,175	-	58,282,175
Total	-	3,024,654,570	-	3,024,654,570
Municipal Bonds	-	47,830,000	-	47,830,000
Mutual Funds				
CalTRUST Medium-Term Fund	-	175,340,529	-	175,340,529
Government Pool Investments:				
Local Agency Investment Fund	-	327,000	-	327,000
Total Investments Measured at Fair Value	<u>\$ -</u>	<u>\$ 3,248,152,099</u>	<u>\$ -</u>	<u>\$ 3,248,152,099</u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

Investments by fair value level at June 30, 2016	Level 1	Level 2	Level 3	Total
Government-Sponsored Enterprises:				
Federal Home Loan Bank Notes	\$ -	\$ 2,173,765,683	\$ -	\$ 2,173,765,683
Federal Home Loan Mortgage Corporation Notes	-	544,265,248	-	544,265,248
Federal National Mortgage Association Notes	-	186,278,869	-	186,278,869
Federal Farm Credit Bank Notes	-	83,058,761	-	83,058,761
Total	-	2,987,368,561	-	2,987,368,561
Certificates of Deposit	-	91,000,000	-	91,000,000
Corporate Bonds	-	10,125,700	-	10,125,700
Government Pool Investments:				
Local Agency Investment Fund	-	325,430	-	325,430
Total Investments Measured at Fair Value	<u>\$ -</u>	<u>\$ 3,088,819,691</u>	<u>\$ -</u>	<u>\$ 3,088,819,691</u>

Refer to Note 5 for the investment derivative instruments valuations.

MTC holds \$327,000 and \$325,430 at June 30, 2017 and 2016, respectively, in the Local Agency Investment Fund (LAIF). MTC's investment policy allows investment in LAIF as authorized by Government Code section 16429. LAIF is a program created by state statute as an investment alternative for California's local governments and special districts. LAIF funds are available for immediate withdrawal.

The Government-Sponsored Enterprises (GSE) holdings carry "AA+/Aaa/AAA" ratings from Standard & Poor's, Moody's and Fitch, respectively. Neither state law nor MTC policy imposes a limit to the amount of GSE debt securities that can be held in the portfolio.

C. Deposit and Investment Risk Factors

There are many factors that can affect the value of investments. MTC invests substantially in fixed-income securities, which are affected by credit risk, custodial credit risk, concentration of credit risk, and interest rate risk. The credit ratings of MTC's income securities holdings are discussed in Note 1.H.

i.) Credit Risk

Fixed income securities are subject to credit risk, which is the possibility that the security issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline.

A bond's credit quality is an assessment of the issuer's ability to pay principal and interest on the bond. Credit quality may be evaluated by a nationally recognized independent credit-rating agency. The lower the rating is, the greater the chance (in the opinion of the rating agency) that the bond issuer will fail to meet its obligations or potentially default.

ii.) Custodial Credit Risk

Custodial credit risk is the risk that securities held by the custodian and in the custodian's name may be lost and not be recovered. All MTC securities are held in independent safekeeping accounts maintained with Union Bank or Bank of New York Mellon (BONY) and are held under MTC's name. As a result, custodial credit risk is remote.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

iii.) Concentration of Credit Risk

Concentration of credit risk is the risk associated with lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory or credit developments. Investments in issuers that represent 5 percent or more of total cash and investments at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Federal Home Loan Bank (FHLB)	49%	60%
Federal National Mortgage Association (FNMA)	4%	5%
Federal Home Loan Mortgage Corporation (FHLMC)	27%	15%

iv.) Interest Rate Risk

Interest rate risk is the risk that the market value of fixed-income securities will decline because of rising interest rates. The prices of fixed-income securities with a longer time to maturity, measured by duration in years, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Since MTC's policy is to buy and hold investments to maturity, marked-to-market will always equal par value when they mature.

MTC holds \$63.2 million in investments tied to floating rate benchmarks. The rate on the investments resets based on the LIBOR (London Interbank Offered Rate) index.

<u>Investment</u>	<u>Par Value</u>	<u>Structure</u>	<u>Final Maturity</u>
FFCB	\$10 million	1 mo LIBOR+(net) 12 bps to maturity	11/17
FFCB	\$15 million	1 mo LIBOR +(net) 4.5 bps to maturity	04/18
FFCB	\$8.2 million	1 mo LIBOR +(net) 12 bps to maturity	11/18
FFCB	\$20 million	1 mo LIBOR + (net) 14 bps to maturity	07/18
FHLB	\$10 million	3 mo LIBOR - (net) 16 bps to maturity	05/19

The weighted average maturities of MTC's GSE securities (expressed in number of years) at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Government-sponsored enterprises		
Federal Home Loan Bank	0.33	0.29
Federal Farm Credit Bank	0.81	1.48
Federal Home Loan Mortgage Corporation	0.53	1.11
Federal National Mortgage Association	0.26	0.13

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

4. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2017 is as follows:

	Beginning Balance July 1, 2016	Increases	Decreases	Ending Balance June 30, 2017
Governmental activities				
Capital assets, not being depreciated:				
Building and improvements	\$ 3,871,334	\$ -	\$ (3,871,334) *	\$ -
Intangible assets	41,320	12,000	(41,320)	12,000
Total capital assets, not being depreciated	<u>3,912,654</u>	<u>12,000</u>	<u>(3,912,654)</u>	<u>12,000</u>
Capital assets, being depreciated:				
Building and improvements	9,455,198	-	(9,345,783) *	109,415
Office furniture and equipment	1,696,351	122,022	(452,015)	1,366,358
Intangible assets	14,272	72,154	-	86,426
Leased equipment	309,560	-	-	309,560
Automobiles	58,037	-	(27,151)	30,886
Total capital assets being depreciated	<u>11,533,418</u>	<u>194,176</u>	<u>(9,824,949)</u>	<u>1,902,645</u>
Less accumulated depreciation for:				
Building and improvements	8,719,279	147,202	(8,762,162)	104,319
Office furniture and equipment	1,284,727	188,138	(388,356)	1,084,509
Intangible assets	238	14,880	-	15,118
Leased equipment	25,088	61,912	-	87,000
Automobiles	58,037	-	(27,151)	30,886
Total accumulated depreciation	<u>10,087,369</u>	<u>412,132</u>	<u>(9,177,669)</u>	<u>1,321,832</u>
Total capital assets, being depreciated, net	<u>1,446,049</u>	<u>(217,956)</u>	<u>(647,280)</u>	<u>580,813</u>
Governmental activities capital assets, net	<u>\$ 5,358,703</u>	<u>\$ (205,956)</u>	<u>\$ (4,559,934)</u>	<u>\$ 592,813</u>
	Beginning Balance July 1, 2016	Increases	Decreases	Ending Balance June 30, 2017
Business-type activities				
Capital assets, not being depreciated:				
Office furniture and equipment	\$ 24,235,309	\$ 21,692,187	\$ -	\$ 45,927,496
Building and improvements	1,755,000	-	(1,755,000) *	-
Construction in progress	-	632,593	-	632,593
Intangible assets	9,438,035	7,009,587	-	16,447,622
Total capital assets, not being depreciated	<u>35,428,344</u>	<u>29,334,367</u>	<u>(1,755,000)</u>	<u>63,007,711</u>
Capital assets, being depreciated:				
Office furniture and equipment	14,805,257	187,095	(162,394)	14,829,958
Building/Tenant improvements	5,938,936	-	(1,379,200)	4,559,736
Automobiles	147,431	-	(59,489)	87,942
Intangible assets	22,779,130	-	-	22,779,130
Call boxes	10,067,964	-	(1,273,113)	8,794,851
Total capital assets being depreciated	<u>53,738,718</u>	<u>187,095</u>	<u>(2,874,196)</u>	<u>51,051,617</u>
Less accumulated depreciation for:				
Office furniture and equipment	9,297,592	1,768,313	(162,394)	10,903,511
Building/Tenant improvements	1,586,461	1,243,564	(1,379,200)	1,450,825
Automobiles	147,431	-	(59,489)	87,942
Intangible assets	13,042,348	2,884,384	-	15,926,732
Call boxes	8,568,215	310,335	(1,242,389)	7,636,161
Total accumulated depreciation	<u>32,642,047</u>	<u>6,206,596</u>	<u>(2,843,472)</u>	<u>36,005,171</u>
Total capital assets, being depreciated, net	<u>21,096,671</u>	<u>(6,019,501)</u>	<u>(30,724)</u>	<u>15,046,446</u>
Business-type activities capital assets, net	<u>\$ 56,525,015</u>	<u>\$ 23,314,866</u>	<u>\$ (1,785,724)</u>	<u>\$ 78,054,157</u>

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Notes to Financial Statements

* In May 2016, MTC moved out of the Joseph P. Bort Metro Center building in Oakland. At that time, MTC ceased the depreciation of the building. The building was being actively marketed for sale in early 2016. BART, one of the owners of a condominium interest in the building, exercised its right of first refusal to purchase the building. The sale of the building transaction to BART was completed in June 2017, resulting in a gain of \$ 8,010,641.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 412,132
Total depreciation expense - governmental activities	<u>\$ 412,132</u>
Business-type activities:	
Toll bridge	\$ 5,803,130
Congestion relief	403,466
Total depreciation expense - business-type activities	<u>\$ 6,206,596</u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

A summary of changes in capital assets for the year ended June 30, 2016 is as follows:

	Beginning Balance July, 1 2015	Increases	Decreases	Ending Balance June 30, 2016
Governmental activities				
Capital assets, not being depreciated:				
Building and improvements	\$ -	\$ 3,871,334	\$ -	\$ 3,871,334
Intangible assets	-	41,320	-	41,320
Total capital assets, not being depreciated	<u>-</u>	<u>3,912,654</u>	<u>-</u>	<u>3,912,654</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 12,774,203	\$ 552,329	\$ (3,871,334)	\$ 9,455,198
Office furniture and equipment	3,002,824	30,662	(1,337,135)	1,696,351
Intangible assets	-	14,272	-	14,272
Leased equipment	266,638	309,560	(266,638)	309,560
Automobiles	58,037	-	-	58,037
Total capital assets being depreciated	<u>16,101,702</u>	<u>906,823</u>	<u>(5,475,107)</u>	<u>11,533,418</u>
Less accumulated depreciation for:				
Buildings and improvements	8,303,846	415,433	-	8,719,279
Office furniture and equipment	2,390,967	230,895	(1,337,135)	1,284,727
Intangible assets	-	238	-	238
Leased equipment	244,418	47,308	(266,638)	25,088
Automobiles	58,037	-	-	58,037
Total accumulated depreciation	<u>10,997,268</u>	<u>693,874</u>	<u>(1,603,773)</u>	<u>10,087,369</u>
Total capital assets being depreciated, net	<u>5,104,434</u>	<u>212,949</u>	<u>(3,871,334)</u>	<u>1,446,049</u>
Governmental activities capital assets, net	<u>\$ 5,104,434</u>	<u>\$ 4,125,603</u>	<u>\$ (3,871,334)</u>	<u>\$ 5,358,703</u>
Business-type activities				
Capital assets, not being depreciated:				
Office furniture and equipment	\$ -	\$ 24,235,309	\$ -	\$ 24,235,309
Building and improvements	-	1,755,000	-	1,755,000
Intangible assets	4,287,213	5,631,821	(480,999)	9,438,035
Call boxes	15,730	-	(15,730)	-
Total capital assets, not being depreciated	<u>4,302,943</u>	<u>31,622,130</u>	<u>(496,729)</u>	<u>35,428,344</u>
Capital assets, being depreciated:				
Office furniture and equipment	17,640,945	691,891	(3,527,579)	14,805,257
Building and improvements	3,134,200	4,559,736	(1,755,000)	5,938,936
Automobiles	147,431	-	-	147,431
Intangible assets	22,309,897	475,972	(6,739)	22,779,130
Call boxes	10,860,202	-	(792,238)	10,067,964
Total capital assets being depreciated	<u>54,092,675</u>	<u>5,727,599</u>	<u>(6,081,556)</u>	<u>53,738,718</u>
Less accumulated depreciation for:				
Office furniture and equipment	9,471,513	1,703,658	(1,877,579)	9,297,592
Building and improvements	1,261,052	325,409	-	1,586,461
Automobiles	147,431	-	-	147,431
Intangible assets	9,958,334	3,090,753	(6,739)	13,042,348
Call boxes	9,041,239	318,463	(791,487)	8,568,215
Total accumulated depreciation	<u>29,879,569</u>	<u>5,438,283</u>	<u>(2,675,805)</u>	<u>32,642,047</u>
Total capital assets, being depreciated, net	<u>24,213,106</u>	<u>289,316</u>	<u>(3,405,751)</u>	<u>21,096,671</u>
Business-type activities capital assets, net	<u>\$ 28,516,049</u>	<u>\$ 31,911,446</u>	<u>\$ (3,902,480)</u>	<u>\$ 56,525,015</u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 693,874
Total depreciation expense - governmental activities	<u>\$ 693,874</u>
Business-type activities:	
Toll bridge	\$ 4,978,533
Congestion relief	459,750
Total depreciation expense-business-type activities	<u>\$ 5,438,283</u>

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Notes to Financial Statements

5. LONG-TERM DEBT

BATA issued Toll Revenue Bonds in February 2017 to (i) fund capital projects, (ii) make a cash deposit to the Reserve Fund, (iii) pay costs incurred with the issuance of the bonds, and (iv) defease or refund bonds.

In February 2017, BATA completed an advance refunding of \$559,015,000. The 2017 Series A, B, C and D bond transaction consisted of a defeasance of \$150,000,000 of the 2006 Series C2-C4 Bonds, a defeasance of \$155,000,000 of the 2008 Series D-1 Bonds and a defeasance of \$247,445,000 of the 2014 Series A Bonds. The majority of the proceeds from the newly issued bonds were deposited into the Escrow fund held by a Trustee. The Trustee used the funds on deposit to purchase certain non-callable senior Government Obligations to be used to pay the interest and redemption of the refunded bonds on or prior to the redemption dates. Because the refunding consisted of the rollover of index and term bonds, there was no economic gain from the transaction.

Each of the 2017 Series A, B, and C bonds has a Term Rate Period of April 2026, April 2025, and April 2022, respectively, and bears interest at the stated Term Rate. The 2017 Series D bonds has an Index Rate Period of April 2021 and bears interest based on a percentage of the 3-month LIBOR Index Rate plus a spread. At the end of each respective Term Rate or Index Rate Period, BATA can change the Interest Rate Mode associated with the bonds. Depending on the interest rate environment when the bonds are remarketed, the interest rate on the bonds may be higher than the initial Term Rate.

The 2017 Series A, B, C, and D bonds refunding transactions were recorded as an advance refunding in-substance defeasance in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, as amended by paragraph 5 and 6 of Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

In February 2017, BATA also issued \$300,000,000 of senior bonds, the 2017 Series F. The majority of the bond proceeds were used to fund capital projects, including certain costs relating to demolition of the former east span of the San Francisco-Oakland Bay Bridge. The 2017 Series F bond has a final maturity of April 2056 and bears interest at a stated fixed rate ranging from 4% to 5%.

In April 2017, BATA appointed Goldman, Sachs & Co as the Remarketing Agent for the remarketing of the 2007 Series C-2 Bonds and Citigroup Global Markets Inc. as the Remarketing Agent for the remarketing of the 2008 Series C-1 Bonds.

In June 2017, BATA completed a Letter of Credit Substitution and Remarketing of the 2007 Series G-1 Bonds. Bank of America, N.A. replaced U.S. Bank National Association as the LOC provider. The Letter of Credit with Bank of America, N.A. expires in June 2022.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

Term/ Index Rate Bonds:

BATA has a principal balance of \$2,689,305,000 in term/index rate bonds. The term/index rate bond series are detailed as follows:

<u>Series</u>	<u>Par</u>	<u>Term/ Index Rate</u>	<u>Effective Date</u>	<u>Maturity Date</u>
2007 Series A1	\$50,000,000	SIFMA Swap Index plus 0.70%	12/20/2012	10/1/2019
2007 Series E3	\$100,000,000	SIFMA Swap Index plus 0.70%	12/20/2012	10/1/2019
2008 Series B1	\$110,000,000	SIFMA Swap Index plus 1.10%	12/20/2012	4/1/2024
2008 Series G1	\$50,000,000	SIFMA Swap Index plus 1.10%	12/20/2012	4/1/2024
2001 Series A	\$150,000,000	SIFMA Swap Index plus 1.25%	1/10/2013	4/1/2027
2006 Series C1	\$125,000,000	SIFMA Swap Index plus 0.90%	5/1/2013	5/1/2023
2008 Series A1	\$110,000,000	SIFMA Swap Index plus 0.90%	5/1/2013	5/1/2023
2007 Series C1	\$50,000,000	SIFMA Swap Index plus 0.90%	6/3/2013	5/1/2023
2014 Series B	\$552,085,000	1.50%	8/5/2014	4/2/2018
2014 Series C	\$402,105,000	1.875%	8/5/2014	4/1/2019
2014 Series D	\$143,730,000	1.875%	12/18/2014	4/1/2020
2014 Series E	\$143,675,000	2.00%	12/18/2014	4/1/2021
2014 Series G	\$71,865,000	SIFMA Swap Index plus 0.60%	12/18/2014	4/1/2020
2014 Series H	\$71,830,000	SIFMA Swap Index plus 0.70%	12/18/2014	4/1/2021
2017 Series A	125,225,000	2.95%	02/23/2017	4/1/2026
2017 Series B	125,225,000	2.85%	02/23/2017	4/1/2025
2017 Series C	151,715,000	2.10%	02/23/2017	4/1/2022
2017 Series D	156,850,000	70% of 3-month LIBOR plus 0.55%	02/23/2017	4/1/2021

Variable Rate Demand Bonds:

BATA has a principal balance of \$400,000,000 in Variable Rate Demand Bonds. The Variable Rate Demand Bonds are backed by various Letter of Credit providers and are reset at a Weekly Rate by various remarketing agents. The Variable Rate Demand Bonds series are detailed as follows:

<u>Series</u>	<u>Par Amount</u>	<u>Letter of Credit Providers</u>	<u>Short Term Rating (S&P/Moody's /Fitch)</u>	<u>Letter of Credit Expiration Date</u>	<u>Remarketing Agents</u>
2007 Series A2	\$75,000,000	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	A1/P1/F1	10/16/2019 ⁽¹⁾	JP Morgan Securities, LLC
2007 Series B2	\$75,000,000	Sumitomo Mitsui Banking Corporation	A1/P1/F1	10/16/2019 ⁽¹⁾	Citigroup Global Markets Inc.
2007 Series C2	\$25,000,000	The Bank of Tokyo-Mitsubishi UFJ, Ltd	A1/P1/F1	10/16/2019 ⁽¹⁾	Goldman Sachs & Co.
2007 Series D2	\$100,000,000	Bank of America, N.A.	A1/P1/F1+	10/16/2019 ⁽¹⁾	Merrill Lynch, Pierce, Fenner & Smith Inc.
2007 Series G1	\$50,000,000	Bank of America, N.A.	A1/P1/F1+	06/15/2022	Barclays Capital Inc.
2008 Series C1	\$25,000,000	Sumitomo Mitsui Banking Corporation	A1/P1/F1	10/16/2019 ⁽¹⁾	Citigroup Global Markets Inc
2008 Series E1	\$50,000,000	The Bank of Tokyo-Mitsubishi UFJ, Ltd	A1/P1/F1	10/16/2019 ⁽¹⁾	Morgan Stanley & Co. LLC.

⁽¹⁾ on 07/14/2017, BATA extended the Letter of Credits from 10/16/2019 to 06/15/2022.

As of June 30, 2017, there were no outstanding draws. Commitment fees are paid quarterly to the Letter of Credit Providers. In the event the bonds covered under the Reimbursement Agreement become bank bonds, the maximum interest rate on the bonds would be 15%.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

A summary of changes in long-term debt for the year ended June 30, 2017 is as follows:

Business-type activities	Issue Date	Interest Rate	Calendar Year Maturity	Original Amount	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017	Due Within One Year
2001 Revenue Bond Series A	5/24/2001	3.69%	(2) 2036	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -	\$ 150,000,000	\$ -
2006 Revenue Bond Series C	2/8/2006	3.60%	(2) 2045	275,000,000	275,000,000	-	(150,000,000) ⁽⁴⁾	125,000,000	-
2007 Revenue Bond Series F	5/15/2007	4.99%	(1) 2018	310,950,000	30,500,000	-	(20,565,000) ⁽⁷⁾	9,935,000	9,935,000
2007 Revenue Bond Series (A1, C1, G1)	5/15/2007	3.60%	(2) 2047	150,000,000	150,000,000	-	-	150,000,000	-
2007 Revenue Bond Series (A2-D2, E3)	10/25/2007	3.60%	(2) 2047	375,000,000	375,000,000	-	-	375,000,000	-
2008 Revenue Bond Series (A1- E1, G1)	6/5/2008	3.60%	(2) 2045	507,760,000	500,000,000	-	(155,000,000) ⁽⁵⁾	345,000,000	-
2009 Revenue Bond Series F2 (BABs)	11/5/2009	4.07%	(1,3) 2049	1,300,000,000	1,300,000,000	-	-	1,300,000,000	-
2010 Revenue Bond Series S1 (BABs)	7/1/2010	4.53%	(1,3) 2050	1,500,000,000	1,500,000,000	-	-	1,500,000,000	-
2010 Revenue Bond Series S2	11/4/2010	4.98%	(1) 2050	410,000,000	410,000,000	-	-	410,000,000	-
2010 Revenue Bond Series S3 (BABs)	11/4/2010	4.49%	(1,3) 2050	475,000,000	475,000,000	-	-	475,000,000	-
2012 Revenue Bond Series F1	10/23/2012	4.65%	(1) 2031	907,525,000	907,525,000	-	(34,270,000) ⁽⁷⁾	873,255,000	45,825,000
2013 Revenue Bond Series S4	8/6/2013	5.11%	(1) 2053	900,000,000	900,000,000	-	-	900,000,000	-
2014 Revenue Bond Series (A, B, C)	8/5/2014	1.66%	(1) 2047	1,201,635,000	1,201,635,000	-	(247,445,000) ⁽⁴⁾	954,190,000	-
2014 Revenue Bond Series F1	8/5/2014	5.00%	(1) 2054	200,000,000	200,000,000	-	-	200,000,000	-
2014 Revenue Bond Series (D, E)	12/18/2014	1.94%	(1) 2034	287,405,000	287,405,000	-	-	287,405,000	-
2014 Revenue Bond Series (G, H)	12/18/2014	3.60%	(2) 2034	143,695,000	143,695,000	-	-	143,695,000	-
2014 Revenue Bond Series F2	12/18/2014	3.93%	(1) 2021	80,335,000	80,335,000	-	-	80,335,000	-
2014 Revenue Bond Series (S5, S6)	12/18/2014	4.79%	(1) 2054	300,000,000	300,000,000	-	-	300,000,000	-
2017 Revenue Bond Series (A, B, C)	2/23/2017	2.60%	(1) 2047	402,165,000	-	402,165,000 ⁽⁴⁾	-	402,165,000	-
2017 Revenue Bond Series D	2/23/2017	3.60%	(2) 2045	156,850,000	-	156,850,000 ⁽⁵⁾	-	156,850,000	-
2017 Revenue Bond Series F1	2/23/2017	4.75%	(1) 2056	300,000,000	-	300,000,000 ⁽⁶⁾	-	300,000,000	-
				<u>\$ 10,333,320,000</u>	<u>\$ 9,186,095,000</u>	<u>\$ 859,015,000</u>	<u>\$ (607,280,000)</u>	<u>\$ 9,437,830,000</u>	<u>\$ 55,760,000</u>
Net unamortized bond premium /(discount)					<u>\$ 170,380,813</u>	<u>\$ 23,730,750</u>	<u>\$ (14,303,169)</u>	<u>\$ 179,808,394</u>	
Net long-term debt as of June 30, 2017					<u>\$ 9,356,475,813</u>	<u>\$ 882,745,750</u>	<u>\$ (621,583,169)</u>	<u>\$ 9,617,638,394</u>	

(1) Interest rates on fixed rate bonds/term rate bonds are calculated on weighted outstanding coupon rates.

(2) Weighted swap rate is presented for variable rate bonds that are hedged with a swap. Variable rate bonds are presented as long term debt in accordance with GASB Interpretation No. 1 because MTC has liquidity commitments.

(3) Federal Taxable Build America Bonds.

(4) The 2017 Series A, B, C bonds were issued as senior term rate bonds to fully refund \$150,000,000 of the 2006 Series C2-C4 bonds and \$247,445,000 of the 2014 Series A bonds.

(5) The 2017 Series D bonds were issued as index rate bonds to fully refund \$155,000,000 of the 2008 Series D1 bonds.

(6) The 2017 Series F1 bonds were issued as senior fixed rate bonds.

(7) Scheduled payments.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

A summary of changes in long-term debt for the year ended June 30, 2016 is as follows:

Business-type activities	Issue Date	Interest Rate	Calendar Year Maturity	Original Amount	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Due Within One Year
2001 Revenue Bond Series A	5/24/2001	3.31%	(2) 2036	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -	\$ 150,000,000	\$ -
2006 Revenue Bond Series C	2/8/2006	3.60%	(2) 2045	275,000,000	275,000,000	-	-	275,000,000	-
2006 Revenue Bond Series F	4/25/2006		(6) 2016	1,149,205,000	37,375,000	-	(37,375,000) (5)	-	-
2007 Revenue Bond Series F	5/15/2007	4.96%	(1) 2018	310,950,000	50,040,000	-	(19,540,000) (5)	30,500,000	20,565,000
2007 Revenue Bond Series (A1, C1, G1)	5/15/2007	3.60%	(2) 2047	150,000,000	150,000,000	-	-	150,000,000	-
2007 Revenue Bond Series (A2-D2, E3)	10/25/2007	3.60%	(2) 2047	375,000,000	375,000,000	-	-	375,000,000	-
2008 Revenue Bond Series (A1-E1, G1)	6/5/2008	3.60%	(2) 2045	507,760,000	500,000,000	-	-	500,000,000	-
2009 Revenue Bond Series F2 (BABs)	11/5/2009	4.07%	(1,3) 2049	1,300,000,000	1,300,000,000	-	-	1,300,000,000	-
2010 Revenue Bond Series S1 (BABs)	7/1/2010	4.53%	(1,3) 2050	1,500,000,000	1,500,000,000	-	-	1,500,000,000	-
2010 Revenue Bond Series S2	11/4/2010	4.98%	(1) 2050	410,000,000	410,000,000	-	-	410,000,000	-
2010 Revenue Bond Series S3 (BABs)	11/4/2010	4.49%	(1,3) 2050	475,000,000	475,000,000	-	-	475,000,000	-
2012 Revenue Bond Series F1	10/23/2012	4.65%	(1) 2031	907,525,000	907,525,000	-	-	907,525,000	34,270,000
2013 Revenue Bond Series S4	8/6/2013	5.11%	(1) 2053	900,000,000	900,000,000	-	-	900,000,000	-
2014 Revenue Bond Series (A, B, C)	8/5/2014	1.52%	(1) 2047	1,201,635,000	1,201,635,000	-	-	1,201,635,000	-
2014 Revenue Bond Series F1	8/5/2014	5.00%	(1) 2054	200,000,000	200,000,000	-	-	200,000,000	-
2014 Revenue Bond Series (D, E)	12/18/2014	1.94%	(1) 2034	287,405,000	287,405,000	-	-	287,405,000	-
2014 Revenue Bond Series G	12/18/2014	1.01%	(4) 2034	71,865,000	71,865,000	-	-	71,865,000	-
2014 Revenue Bond Series H	12/18/2014	1.11%	(4) 2034	71,830,000	71,830,000	-	-	71,830,000	-
2014 Revenue Bond Series F2	12/18/2014	3.93%	(1) 2021	80,335,000	80,335,000	-	-	80,335,000	-
2014 Revenue Bond Series (S5, S6)	12/18/2014	4.79%	(1) 2054	300,000,000	300,000,000	-	-	300,000,000	-
				<u>\$ 10,623,510,000</u>	<u>\$ 9,243,010,000</u>	<u>\$ -</u>	<u>\$ (56,915,000)</u>	<u>\$ 9,186,095,000</u>	<u>\$ 54,835,000</u>
Net unamortized bond premium /(discount)					<u>\$ 185,201,727</u>	<u>\$ -</u>	<u>\$ (14,820,914)</u>	<u>\$ 170,380,813</u>	
Net long-term debt as of June 30, 2016					<u>\$ 9,428,211,727</u>	<u>\$ -</u>	<u>\$ (71,735,914)</u>	<u>\$ 9,356,475,813</u>	

(1) Interest rates on fixed rate bonds/term rate bonds are calculated on weighted outstanding coupon rates.

(2) Total variable rate bonds (VRDBs) of \$1,450,000,000 hedged with \$1,440,000,000 notional swaps; as such the weighted swap rate is presented. VRDBs are presented as long term debt in accordance with GASB Interpretation No. 1 because MTC has liquidity commitments.

(3) Federal Taxable Build America Bonds.

(4) The interest rate presented is the 6/30/2016 SIFMA rate plus the spread related to the bonds.

(5) Scheduled payments.

(6) The 2006 Series F bonds reached its final maturity on April 1, 2016 and was fully repaid as of that date.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

Annual funding requirements

The annual funding requirements for the debt and swap outstanding of the business-type activities at June 30, 2017 are as follows:

Business-type activities

Fiscal Year Ending	Principal Payments	Interest Payments	Total Payments
2018	\$ 55,760,000	\$ 404,505,808	\$ 460,265,808
2019	53,280,000	397,974,992	451,254,992
2020	107,265,000	392,545,101	499,810,101
2021	108,425,000	387,298,953	495,723,953
2022	116,435,000	382,124,692	498,559,692
2023-2027	704,360,000	1,820,657,129	2,525,017,129
2028-2032	1,041,585,000	1,630,633,848	2,672,218,848
2033-2037	1,300,340,000	1,409,932,865	2,710,272,865
2038-2042	1,582,195,000	1,155,876,313	2,738,071,313
2043-2047	1,889,080,000	810,569,080	2,699,649,080
2048-2052	1,758,195,000	383,813,058	2,142,008,058
2053-2056	720,910,000	89,026,173	809,936,173
	<u>\$ 9,437,830,000</u>	<u>\$ 9,264,958,012</u>	<u>\$ 18,702,788,012</u>

Bond Covenants – BATA

The Bay Area Toll Authority Senior Toll Bridge Revenue Bonds are payable solely from pledged "Revenue" and all amounts held by the trustee in each fund and account (with exclusions) established under the Master Indenture dated as of May 1, 2001 (the 2001 "Master Indenture"). Pledged "Revenue" and exclusions to the trustee funds and accounts are defined within the Master Indenture. BATA established a Reserve fund under the 2001 Master Indenture.

BATA covenanted in the Master Indenture that no additional bonds shall be issued, unless Net Revenue is greater than 1.5 times of the combined Maximum Annual Debt Service of all outstanding parity bonds. Parity bonds have the same priority of claim or lien against pledged Revenue.

In the fifth supplemental indenture dated February 2006, BATA covenanted to maintain toll revenue at levels that result in Net Revenue greater than 1.2 times Annual Debt Service costs as defined in the Master Indenture. In addition, BATA agreed to maintain tolls at a level where Net Revenue plus the balance in the Operations and Maintenance Fund is at least 1.25 times total "Fixed Costs". BATA also has the legal requirement of maintaining tolls at a level exceeding 1.0 times all fixed costs. See Schedule 11.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

The senior lien bonds issued by BATA are secured by a first lien on all toll revenue.

The Bay Area Toll Authority's Subordinate Toll Bridge Revenue Bonds are payable solely from pledged "Revenue" and all amounts held by the trustee in each fund and account (with exclusions) established under the Subordinate Indenture dated June 1, 2010 (the "2010 Subordinate Indenture"). "Pledged Revenue" and exclusions to the trustee funds and accounts are defined within the 2010 Subordinate Indenture. BATA has established a Reserve fund account under the 2010 Subordinate Indenture.

BATA covenanted in the 2010 Subordinate Indenture that no additional bonds shall be issued unless the Available Revenue equates to greater than 1.2 times of the combined Maximum Annual Debt Service costs of all outstanding parity bonds.

In the first supplemental indenture dated June 2010, BATA covenanted to maintain toll revenue at levels that result in Available Revenue greater than 1.2 times Annual Debt Service costs.

As of June 30, 2017, the current Reserve Requirement and the market valuation of the investment securities in the Debt Service reserves are as follows:

	<u>Reserve Requirement</u>	<u>Market Valuation of Cash & Securities</u>
Senior Debt	\$347,651,106	\$349,933,682
Subordinate Debt	\$170,835,039	\$176,290,188

BATA maintains certain designated reserves:

<u>Designation</u>	<u>Requirement</u>	<u>Required Amount</u>	<u>June 30, 2017</u>
External Designation:			
O & M	2x Caltrans budgeted O&M costs	\$63 million	\$150 million
Extraordinary loss	BATA/Caltrans Coop Agreement	\$50 million	\$50 million
BATA designation:			
Rehab reserve	2x Rehab budget (\$60m/yr)	\$120 million	\$120 million
Variable rate risk reserve	BATA designation	\$100 million	\$100 million
Project/ Self Insurance Reserves	BATA designation	\$580 million	\$580 million

Derivative Instruments

Investment derivatives fair value in a payable to the counterparty position was \$390,781,957 and \$546,320,887 at June 30, 2017 and June 30, 2016 respectively, and recorded in the Statement of Net Position as a liability. The increase in fair value of investment derivatives of \$155,538,930 in fiscal year 2017, and the decrease of \$187,386,795 in fiscal year 2016 were recorded to investment income. See Note 1.T for further details.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

Voluntary cancellation of any or all of the swap transactions is subject to a valuation calculation at the time of termination. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2017 classified by type, and the changes in fair value of such derivative instruments since June 30, 2016 as reported in the financial statements are as follows:

Business-type Activities	Increase in Fair Value since June 30, 2016		Fair Value at June 30, 2017		
	Classification	Amount	Classification	Amount	Notional
Pay-fixed interest rate swap	Investment Income	\$ 154,686,054	Noncurrent Liabilities	\$ (390,560,419)	\$ 1,440,000,000
Receive-fixed interest rate swap	Investment Income	852,876	Noncurrent Liabilities	(221,539)	477,845,000

Objective and Terms of Hedging Derivative Instruments

BATA entered into interest rate swaps to manage exposure to fluctuations in interest rates and interest expenses. Management is aware that swap transactions contain certain associated risks not traditionally associated with fixed-rate issues, particularly the risk of counterparty default. However, management has structured the transactions with reasonable safeguards, including downgrade and collateral provisions required of all counterparties as well as management's unilateral ability to cancel any transaction with 15 days' notice.

The following tables display the terms of the derivative instruments outstanding along with the credit rating as of June 30, 2017 of the associated counterparty as well as the fair value and measurement level of the derivative instruments.

	Standard & Poor's	Moody's
Bank of America, N.A.	A+	A1
The Bank of New York Mellon	AA-	Aa2
Citibank, N.A., New York	A+	A1
Wells Fargo Bank, N.A.	AA-	Aa2
Goldman Sachs Mitsui Marine Derivative Products LP	AA-	Aa2
JP Morgan Chase Bank, N.A.	A+	Aa3
Morgan Stanley Capital Services LLC	BBB+	A3

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

Investment Derivative Instruments at June 30, 2017:

Amortized Notional Value	Counterparty	Fixed Payer Rate ^(A)	Fair Value due from / (to) Counterparty			
			Level 1	Level 2	Level 3	Total
\$75 million	Wells Fargo Bank, N.A.	3.29%	\$ -	\$ (16,785,588)	\$ -	\$ (16,785,588)
\$75 million	Morgan Stanley Capital Services LLC	4.09% ^(C)	-	(24,396,275)	-	(24,396,275)
\$110 million	Wells Fargo Bank, N.A.	3.64%	-	(26,421,016)	-	(26,421,016)
\$30 million	Bank of America, N.A.	3.63%	-	(9,036,536)	-	(9,036,536)
\$115 million	Citibank Bank, N.A., New York	3.64%	-	(27,621,890)	-	(27,621,890)
\$245 million	JP Morgan Chase Bank, N.A.	4.00%	-	(81,056,781)	-	(81,056,781)
\$50 million	Bank of America, N.A.	3.63%	-	(15,397,735)	-	(15,397,735)
\$260 million	Citibank Bank, N.A. New York	3.64%	-	(64,021,457)	-	(64,021,457)
\$125 million	Bank of America, N.A.	2.96%	-	(25,023,577)	-	(25,023,577)
\$60 million	Goldman Sachs Mitsui Marine Derivative Products, L.P.	3.64%	-	(18,153,980)	-	(18,153,980)
\$85 million	Goldman Sachs Mitsui Marine Derivative Products, L.P.	3.64%	-	(26,313,312)	-	(26,313,312)
\$170 million	The Bank of New York Mellon	3.64%	-	(52,626,241)	-	(52,626,241)
\$40 million	The Bank of New York Mellon	2.22%	-	(3,706,030)	-	(3,706,030)
	Total Fixed Payer Swaps		-	(390,560,418)	-	(390,560,418)
		Fixed Receiver Rate^(B)				
\$131.4 million ^(D)	Wells Fargo Bank, N.A.	3.10% ^(E)	-	(107,502)	-	(107,502)
\$146.4 million	The Bank of New York Mellon	3.25% ^(E)	-	(79,846)	-	(79,846)
\$40 million	Bank of America, N.A.	3.55% ^(E)	-	(5,608)	-	(5,608)
\$160 million	Bank of America, N.A.	3.40% ^(E)	-	(28,583)	-	(28,583)
	Total Fixed Receiver Swaps		-	(221,539)	-	(221,539)
	Total Derivative Instrument - Fair Value		\$ -	\$ (390,781,957)	\$ -	\$ (390,781,957)

Inputs to the valuation methodology are observable pursuant to the fair value hierarchy under GASB 72. Refer to Note 3B for the description of hierarchy levels.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

Investment Derivative Instruments at June 30, 2016:

Amortized Notional Value	Counterparty	Fixed Payer Rate ^(A)	Fair Value due from / (to) Counterparty			
			Level 1	Level 2	Level 3	Total
\$75 million	Wells Fargo Bank, N.A.	3.29%	\$ -	\$ (23,774,342)	\$ -	\$ (23,774,342)
\$75 million	Morgan Stanley Capital Services LLC	3.34% ^(C)	-	(31,717,433)	-	(31,717,433)
\$110 million	Wells Fargo Bank, N.A.	3.64%	-	(36,498,997)	-	(36,498,997)
\$30 million	Bank of America, N.A.	3.63%	-	(12,503,996)	-	(12,503,996)
\$115 million	Citibank, N.A., New York	3.64%	-	(38,157,924)	-	(38,157,924)
\$245 million	JP Morgan Chase Bank, N.A.	4.00%	-	(112,291,501)	-	(112,291,501)
\$50 million	Bank of America, N.A.	3.63%	-	(21,344,391)	-	(21,344,391)
\$260 million	Citibank, N.A., New York	3.64%	-	(88,550,875)	-	(88,550,875)
\$125 million	Bank of America, N.A.	2.96%	-	(38,333,889)	-	(38,333,889)
\$60 million	Goldman Sachs Mitsui Marine Derivative Products, L.P.	3.64%	-	(25,095,981)	-	(25,095,981)
\$85 million	Goldman Sachs Mitsui Marine Derivative Products, L.P.	3.64%	-	(36,435,281)	-	(36,435,281)
\$170 million	The Bank of New York Mellon	3.64%	-	(72,870,023)	-	(72,870,023)
\$40 million	The Bank of New York Mellon	2.22%	-	(7,671,839)	-	(7,671,839)
	Total Fixed Payer Swaps		-	(545,246,472)	-	(545,246,472)
		Fixed Receiver Rate^(B)				
\$131.4 million ^(D)	Wells Fargo Bank, N.A.	3.10% ^(E)	-	(349,657)	-	(349,657)
\$146.4 million	The Bank of New York Mellon	3.25% ^(E)	-	(351,656)	-	(351,656)
\$40 million	Bank of America, N.A.	3.55% ^(E)	-	(58,806)	-	(58,806)
\$160 million	Bank of America, N.A.	3.40% ^(E)	-	(314,296)	-	(314,296)
	Total Fixed Receiver Swaps		-	(1,074,415)	-	(1,074,415)
	Total Derivative Instrument - Fair Value		\$ -	\$ (546,320,887)	\$ -	\$ (546,320,887)

Inputs to the valuation methodology are observable pursuant to the fair value hierarchy under GASB 72. Refer to Note 3B for the description of hierarchy levels.

(A) Authority paying fixed rate receiving variable rate based on LIBOR index.

(B) Authority receiving fixed rate paying variable rate based on SIFMA index.

(C) Fixed rate is 3.34% effective from 1/1/2014 thru 12/31/2016. Fixed rate changed to 4.09% thereafter thru maturity.

(D) Wells Fargo notional reflects amortized balance as of 4/1/2018.

(E) Swap amended on 6/26/2015 to temporarily suspend payments until 4/1/2018. Rate indicated will be effective 4/1/2018.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Notes to Financial Statements

The termination value, or fair market value, BATA would pay to terminate all swaps on a voluntary basis is \$391 million and \$546 million on June 30, 2017 and June 30, 2016, respectively. The fair value was determined by an independent outside pricing service. BATA's intent, however, is to maintain the swap transactions for the life of the related financings, notwithstanding market opportunities to restructure.

A ratings-related termination was triggered in June 2012 when Morgan Stanley Capital Services LLC's (MSCS) long term rating was downgraded to Baa1 by Moody. In January 2014, BATA entered into an agreement with MSCS to revise the ratings trigger for termination to a reduction in MSCS rating below "BBB-/Baa3" as determined by S&P/Moody's respectively, in exchange for a fixed reduction in the interest payment payable by BATA. The reduced rate of 3.34% from 4.09% is effective for a three-year period from January 1, 2014 to, but excluding, January 1, 2017. Effective January 1, 2017, the fixed rate reverted to 4.09% for the remainder of the term.

Swaps are subject to credit risk, which is the possibility that the counterparty will fail to make interest payment in a timely manner or that there are negative perceptions of the issuer's ability to make these interest payments.

A swap's credit quality is an assessment of the counterparty's ability to pay the interest on the swap. Credit quality may be evaluated by a national recognized independent credit-rating agency. The lower the rating is, the greater the chance (in the opinion of the rating agency) that the counterparty will fail to meet its obligations or potentially default.

The swap contracts address credit risk by requiring the counterparties to post collateral if: 1) a counterparty's credit rating is equal to "A-", "A", or "A+" as determined by S&P or is equal to "A3", "A2", or "A1" by Moody's and the termination value of its swaps exceeds \$10 million, payable to BATA; or 2) a counterparty's credit rating is below "A-" as determined by S&P or "A3" as determined by Moody's and the termination value of its swaps is greater than \$0, payable to BATA.

As of June 30, 2017, none of the counterparties was required to post collateral with a third party safekeeping agent.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

6. LEASES

Capital Leases

MTC's copier equipment is under a capital lease which will expire in fiscal year 2021. The liabilities under this capital lease are recorded at the present value of the minimum lease payments and presented in the government-wide governmental activities under non-current liabilities. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, are as follows:

Governmental Activities

Year Ending June 30	Amount
2018	\$ 68,304
2019	68,304
2020	68,304
2021	<u>40,630</u>
Total	245,542
Less interest amounts	<u>(16,936)</u>
Present value of net minimum lease payments	<u><u>\$ 228,606</u></u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund transfers as of June 30, 2017, is as follows:

Transfer In:								
Transfer Out:	General	AB 664 Net Toll Revenue Reserve	STA	Rail Reserves	Non-Major Governmental Funds	MTC Clipper®	SAFE	Total
Non-Major	\$ 51,785	\$ -	\$ 967	\$ -	\$ -	\$ -	\$ -	\$ 52,752
STA	1,386,743	-	-	-	95,000	12,786,709	-	14,268,452
General	-	-	44,628	-	-	-	-	44,628
MTC Clipper®	-	-	591,718	-	-	-	-	591,718
BATA	8,518,112	8,936,145	-	7,255,636	2,106,449	2,199,966	300,000	29,316,308
SAFE	609,660	-	-	-	-	-	-	609,660
Total	<u>\$ 10,566,300</u>	<u>\$ 8,936,145</u>	<u>\$ 637,313</u>	<u>\$ 7,255,636</u>	<u>\$ 2,201,449</u>	<u>\$ 14,986,675</u>	<u>\$ 300,000</u>	<u>\$ 44,883,518</u>

Transfers are used to move revenues from the fund with collection authority to the program fund that accounts for the various projects. These interfund transfers have been eliminated in the government-wide financial statements. The significant transfers are described below:

An amount of \$12,786,709 was transferred from STA to MTC-Clipper® to support their operations. An amount of \$7,614,780 transferred from BATA to the General fund represents an annual 1% transfer for administration expenditures. The transfer amount from BATA to AB 664, Rail Reserves and Non-Major funds totaling \$18,298,230 is the amortization of the deferred revenue for these funds. See Note 1.P for further details.

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	MTC Clipper®	\$ 182,123
General	SAFE	168,686
General	STA	627,183
General	Non-Major	27,996
General	BATA	443,556
STA	General	44,628
STA	Non-Major	967
STA	MTC Clipper®	591,718
Non-Major	General	499,769
MTC Clipper®	STA	2,339,178
MTC Clipper®	BATA	495,570
SAFE	General	1,727,575

Interfund receivables and payables between funds are due to timing differences resulting from when expenditures are incurred and payments are made. These interfund balances have been eliminated in the government-wide financial statements. The significant interfund balances at June 30, 2017 are as follows: an amount of \$2,339,178 represents expenses incurred for the MTC-Clipper® project, but not yet reimbursed from STA; and \$1,727,575 represents an advance the General fund received from SAFE to support the Regional Traveler Information, Emergency Response Operations, Incident Management and Freeway Initiative projects.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

The composition of interfund transfers as of June 30, 2016, is as follows:

Transfer In:								
Transfer Out:	General	AB 664 Net Toll Revenue Reserve	Rail Reserves	Non-Major Governmental Funds	MTC Clipper®	STA	SAFE	Total
Non-Major	\$ 52,163	\$ -	\$ -	\$ -	\$ -	\$ 3,818	\$ -	\$ 55,981
STA	1,187,828	-	-	10,000	13,638,401	-	-	14,836,229
AB 664	51,525	-	-	-	-	-	-	51,525
General	-	-	-	-	-	154,232	-	154,232
MTC Clipper®	-	-	-	-	-	979,807	-	979,807
BATA	9,393,230	9,301,049	7,551,916	2,192,465	2,505,083	-	300,000	31,243,743
SAFE	1,204,196	-	-	-	-	-	-	1,204,196
Total	<u>\$ 11,888,942</u>	<u>\$ 9,301,049</u>	<u>\$ 7,551,916</u>	<u>\$ 2,202,465</u>	<u>\$ 16,143,484</u>	<u>\$ 1,137,857</u>	<u>\$ 300,000</u>	<u>\$ 48,525,713</u>

Transfers are used to move revenues from the fund with collection authority to the program fund that accounts for the various projects. These interfund transfers have been eliminated in the government-wide financial statements. The significant transfers are described below:

An amount of \$13,638,401 was transferred from STA to MTC-Clipper® to support their operations. An amount of \$7,470,382 transferred from BATA to the General fund represents an annual 1% transfer for administration expenditures. The transfer amount from BATA to AB 664, Rail Reserves and Non-Major funds totaling \$19,045,430 is the amortization of the deferred revenue for these funds. See Note 1.P for further details.

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	SAFE	\$ 35,930
General	STA	226,234
General	Non-Major	24,234
General	BATA	1,113,122
STA	General	154,232
STA	Non-Major	3,818
STA	MTC Clipper®	979,807
Non-Major	General	499,769
MTC Clipper®	General	4,185,285
MTC Clipper®	STA	241,612
MTC Clipper®	BATA	1,064,217
SAFE	General	4,015,495

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Notes to Financial Statements

Interfund receivables and payables between funds are due to timing differences resulting from when expenditures are incurred and payments are made. These interfund balances have been eliminated in the government-wide financial statement. The significant interfund balances at June 30, 2016 are as follows: an amount of \$4,015,495 represents an advance the General fund received from SAFE to support the 511, Emergency Operations, Traffic Management System and Freeway Initiative projects; \$4,185,285 represents an advance from General to MTC-Clipper® until the project gets reimbursed for its expenses; \$1,113,122 represents expenses incurred for the 511 and rideshare projects, but not yet reimbursed from BATA; and \$1,064,217 represents expenses incurred for MTC-Clipper® capital projects, but not yet reimbursed from BATA.

8. EMPLOYEES' RETIREMENT PLAN

A. General Information about the Pension Plan

Plan Description

The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. An agent multiple-employer plan is one in which the assets of multiple employers are pooled for investment purposes, but separate accounts are maintained for each individual employer. A menu of benefit provisions as well as other requirements are established by state statutes within the Public Employees' Retirement Law. MTC selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS website or by writing to CalPERS Fiscal Services Division, PO Box 942703, Sacramento, California 94229.

Benefits Provided

MTC's defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission ("the Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Classic members (hired before January 1, 2013) with five years of total service are eligible to retire at age 50 with statutory reduced benefits. New members (hired after January 1, 2013) with five years of total service are eligible to retire at age 52 with statutory reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the third Level, 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 62
Monthly benefit as a % of eligible compensation	2% - 2.5%	1% - 2%

Employees Covered at the measurement date of June 30, 2016 are as follows:

Active employees	188
Inactive employees or beneficiaries currently receiving benefits	130
Inactive employees entitled to but not yet receiving benefits	115

Contribution Description

Section 20814(C) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS's annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability. The employer (MTC) is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. For the measurement period ended June 30, 2016, MTC's retirement contributions are allocated as follows:

- Tier 1 - The total Public Employees' Retirement System (PERS) contribution rate is 25.449 percent (consisting of 17.449 percent employer rate and 8.0 percent member rate). Per MTC and employee agreement, the shared contribution for the measurement period ended June 30, 2016 is 19.719 percent by MTC and 5.73 percent by members.
- Tier 2 - The total PERS contribution rate is 23.949 percent. Per MTC and employee agreement, the shared contribution for the measurement period ended June 30, 2016 is 17.449 percent by MTC and 6.5 percent by members.

The employer actuarially determined contribution is charged to the governmental and enterprise funds based on their share of MTC's payroll cost for the relevant year.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

B. Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

MTC's net pension liability is measured as the total pension liability, less the Plan's fiduciary net position. For the measurement period ended June 30, 2016, the total pension liability was determined using the annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The June 30, 2015 pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to CalPERS Experience Study 2014 report, which can be obtained at CalPERS' website under Forms and Publications.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

There were no changes in assumptions from June 30, 2015 to June 30, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan as required by GASB 68, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flow used in the testing was developed assuming that both members and employers will make their required contributions on time as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension funds (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirements Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	1.0	(0.55)	(1.05)

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

C. Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

D. Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2015	\$ 133,192,515	\$ 105,798,160	\$ 27,394,355
Changes Recognized for the Measurement Period:			
Service Cost	3,969,969	-	3,969,969
Interest on Total Pension Liability	10,131,304	-	10,131,304
Difference between Expected and Actual Experience	(352,537)	-	(352,537)
Contributions from Employers	-	4,128,694	(4,128,694)
Contributions from Employees	-	1,848,104	(1,848,104)
Net Investment Income	-	535,476	(535,476)
Benefit Payments, incl. Refunds of Employee Contributions	(4,779,280)	(4,779,280)	-
Administrative Expense	-	(64,478)	64,478
Net changes during 2015-16	<u>8,969,456</u>	<u>1,668,516</u>	<u>7,300,940</u>
Balance at June 30, 2016	<u>\$ 142,161,971</u>	<u>\$ 107,466,676</u>	<u>\$ 34,695,295</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate.

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability/ (Asset)	\$ 54,409,080	\$ 34,695,295	\$ 18,401,159

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB Statement 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	Five year straight-line amortization
All other amounts	Straight-line amortization over the average expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active and retired) as of beginning of the measurement period

Expected Average Remaining Service Lifetime (EARSL)

The EARSL for the Plan for the measurement period ended June 30, 2016 is 4.2 years which was obtained by dividing the total service years of 1,758 (the sum of remaining service lifetimes of the active employees) by 423 (the total number participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to zero years. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

E. Pension Expenses and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

MTC incurred a pension expense of \$4,520,718 for fiscal year 2017 based on the measurement period ended June 30, 2016. The pension expense is allocated to the governmental and enterprise funds as follows:

	Governmental Funds	Enterprise Funds			BAHA	Total
		Bay Area Toll Authority	MTC SAFE	MTC Clipper		
Pension expense for fiscal year 2017	\$ 2,728,631	\$ 1,227,908	\$ 89,372	\$ 270,460	\$ 204,347	\$ 4,520,718

As of June 30, 2017, MTC has deferred outflows and inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ (1,234,710)
Difference between expected and actual experience	264,168	(268,600)
Net difference between projected and actual earnings on pension plan investments	9,424,522	(3,505,524)
Employer contributions for fiscal year 2017	5,198,407	-
Total	<u>\$ 14,887,097</u>	<u>\$ (5,008,834)</u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

The \$5,198,407 in the preceding table is reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

The deferred outflows and deferred inflows of resources related to pensions will be recognized as a reduction of future pension expense in the following years and amounts:

Year ended	Deferred Outflows/ (Inflows) of Resources
2018	\$ 336,140
2019	336,138
2020	2,504,848
2021	1,502,730
2022	-
Thereafter	\$ -

9. POST EMPLOYMENT HEALTHCARE BENEFITS

Plan Description

MTC’s defined-benefit other post employment benefits (OPEB) healthcare plan provides health plan coverage through the CalPERS Health Plan to eligible retired employees and their eligible dependents. MTC maintains the same medical plans for its retirees as for its active employees, with the general exception that once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer. Employees become eligible to retire and receive healthcare benefits upon reaching the age of 50 with 5 years of service to MTC. Benefits are paid for the lifetime of the retiree, spouse or surviving spouse, and dependents up to the age of 26. The number of participants eligible to receive benefits was 85 for the year ended June 30, 2017.

MTC is a contracting agency under the Public Employees’ Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for provision of healthcare insurance programs for both active and retired employees. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS website or by writing to CalPERS Fiscal Services Division, PO Box 942703, Sacramento, California 94229.

Funding Policy

MTC contributions are based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting of Post Employment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded accrued actuarial liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The ARC is based on separate actuarial computations for the active and retiree employee groups. MTC’s payments of monthly retiree premiums of \$776,100 and \$763,647 for the fiscal years ended 2017 and 2016, respectively, were applied toward the required annual employer contribution of \$3,060,157 and

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

\$3,084,567 for the fiscal years ended 2017 and 2016, respectively. Since 2008, MTC has fully funded the ARC and the net OPEB Cost. The net OPEB asset at June 30, 2017 increased by \$901,235 to \$8,285,620 from \$7,384,385 at June 30, 2016 as MTC recorded an implied subsidy of \$161,778 and prefunded its OPEB obligation by \$739,455 in fiscal year 2017.

Annual OPEB Cost, Funded Status and Funding Progress

MTC's annual OPEB cost is based on the ARC of the employer less healthcare costs paid on behalf of its retirees as well as any other contributions made to the plan during the year. The OPEB cost is based on a bi-annual actuarial valuation. The following table represents the annual OPEB cost for the year, the percentage of costs contributed to the plan, and changes in the net OPEB obligation. Governmental and Business-Type Activities funded 100 percent of the ARC attributable to them. Any net OPEB asset resulted solely from Governmental Activities.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
June 30, 2015	\$ 3,084,567	100%	\$ 7,384,385
June 30, 2016	3,084,567	100%	7,384,385
June 30, 2017	3,060,157	129%	8,285,620

The funded status of the plan as of July 1, 2017 was as follows:

Annual required contribution (ARC)	\$	2,970,342
Interest on net OPEB obligation		(332,297)
Adjustment to ARC		422,112
Annual OPEB Cost		<u>3,060,157</u>
Less contributions made		<u>(3,961,392)</u>
Change in net OPEB asset		(901,235)
Net OPEB asset - beginning of year		<u>(7,384,385)</u>
Net OPEB asset - end of year	\$	<u><u>(8,285,620)</u></u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

MTC obtains actuarial valuations bi-annually, with the exception of January 2009 when an additional valuation was obtained in conjunction with the change in OPEB Trustees. MTC's funding progress as of January 1, 2016, the most recent available actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2012	\$ 13,124,584	\$ 24,735,009	\$11,610,425	53.1 %	\$ 17,799,482	65.2 %
January 1, 2014	17,705,619	29,092,241	11,386,622	60.9 %	20,191,937	56.4 %
January 1, 2016	22,479,761	35,790,094	13,310,333	62.8 %	23,713,316	56.1 %

Actuarial valuations must make certain assumptions regarding the probability of occurrence of certain events such as employment turnover, retirement and mortality, as well as economic assumptions regarding future healthcare costs and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress on Schedule VI, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members. The actuarial methods and assumptions used include techniques designed to reduce effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

MTC has funded its OPEB liability by contributing to an irrevocable trust currently administered by Public Agency Retirement Services (PARS). MTC transferred its OPEB trust fund assets from CalPERS to PARS in March 2010. The actuarial cost method and assumptions described below is one of several acceptable cost methods described in GASB Statement No. 45. The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. In determining the Annual Required Contribution, the Unfunded Actuarial Accrued Liability (UAAL) is amortized as a level percentage of payroll over 20 years, on an open basis. Effective with the January 1, 2016 valuation, the Actuarial Value of Assets is equal to the Market Value of Assets as of the valuation date. The interest rate used to discount future benefit payments is based on the expected rate of return on investments set aside to pay for these benefits. In conjunction with the transfer to PARS, MTC selected a conservative investment policy to fund assets. A discount rate of 4.50 percent was used to reflect the current investment policy. Salary increases are determined using the Entry Age Normal (EAN) Actuarial Cost Method. Annual healthcare cost increases were based upon the healthcare cost inflation trend derived from the Getzen Model, a model used for developing long-term medical cost trends. The Getzen Model uses an underlying general inflation assumption of 2.50 percent. The Getzen Model was updated to reflect the latest economic

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Notes to Financial Statements

growth factors and adjusted to reflect the value of an expected excise tax payable in 2018. Starting 2018, medical premiums above a certain threshold will be subject to an excise tax of 40 percent on the amount above the threshold. The tax will be charged to insurers and is expected to be included in medical premiums.

Actuarial standards require measurement of an implicit rate subsidy for all community rated health plans. This includes all health plans sponsored by CalPERS. Public Employees Medical and Hospital Care Act (PEMHCA) health plans charge the same premiums for retirees who are not yet eligible for Medicare as for active employees. Therefore, the retiree premium rates are being subsidized by the inclusion of active lives in setting rates. Premiums calculated only based on retiree health claims experience would have resulted in higher retiree premiums. GASB Statement No. 45 requires that the value of this subsidy be recognized as a liability in valuation of OPEB costs.

Demographic assumptions regarding retirement and withdrawal are based on statistics taken from the CalPERS Pension for MTC. Retirement rates for employees hired prior to January 1, 2013, are based on a 2.5 percent @ 55 formula and on a 2.0 percent @ 62 formula for those hired on or after January 1, 2013. MTC employees participate in CalPERS and accrue post employment healthcare benefits under these formulas. Termination rates were updated to reflect MTC's recent experience and the mortality rates were based upon the latest CalPERS experience and reflect an improvement in future mortality.

The Actuarial Accrued Liability (AAL) presented in the January 1, 2016 valuation, MTC's most recent valuation, increased by approximately \$6,700,000 over the previous valuation dated January 1, 2014. The cost of benefit accruals less benefit payments made since the last valuation date contributed to the change in the AAL of \$2,900,000. The inclusion of the implicit rate subsidy increased the AAL by \$3,800,000. The combined impact of these factors was an increase in the AAL of approximately \$6,700,000. Copies of PARS' annual financial report may be obtained by writing to PARS, 4350 Von Karman Avenue, Suite 100, Newport Beach, California 92660.

10. COMMITMENTS AND CONTINGENCIES

MTC's grant funded projects are subject to audit by the respective grantors. The final determination of allowable project costs can be made only after the grantors' audits are completed and final rulings by the grantors' administrative departments are obtained. Disallowed expenditures, if any, must be borne by nonfederal funds. In the opinion of MTC's management, such disallowances, if any, would not have a material adverse effect on the accompanying government-wide financial statements.

MTC is involved in various claims and litigation that are considered normal to MTC's regional planning activities. MTC's Board has committed \$1,250,000 for both fiscal years ended June 30, 2017 and 2016, respectively, for future expenses for these contingencies. In the opinion of MTC's management, the ultimate resolution of these matters will not have a material adverse effect on MTC's government-wide financial position.

BAHA - Discretely Presented Component Unit

BAHA has entered into contracts with multiple external parties to perform the building and tenant improvements construction and working space furnishing in the Bay Area Metro Center (BAMC). As of June 30, 2017, there are approximately \$6,000,000 in future capital expenditure commitments, which includes \$560,000 for the construction of the sidewalks abutting BAMC (expected to be completed in fall 2017), approximately \$3,000,000 for BAMC 5th floor tenant

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2017 and 2016
Notes to Financial Statements

improvements, \$1,000,000 for furniture expenditure commitments, and \$1,450,000 for BAMC capital improvements.

11. RISK MANAGEMENT

MTC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. MTC purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by MTC from insurance companies. To date, there have been no significant reductions in any of MTC's insurance coverage, and no settlement amounts have exceeded commercial insurance coverage for the past three years.

12. RELATED PARTY TRANSACTIONS

The Regional Administrative Facility Corporation (RAFC) was incorporated in the State of California on March 23, 1983, for the purpose of administering, operating and maintaining common areas and certain easements of the property which consists solely of the Joseph P. Bort Metro Center facility.

The RAFC Condominium Plan established the following three owner occupants: BART, MTC and ABAG. RAFC exercised a custodial responsibility on behalf of the owner occupants and assessed sufficient amounts to meet all required expenditures of the common areas and easements. MTC provided management and other staff functions to RAFC through management fees. Fees billed to RAFC were \$296,518 and \$531,769 for fiscal years ended June 30, 2017 and 2016, respectively.

In May 2016, MTC and ABAG, two of the owner occupants, moved out from the Joseph P. Bort Metro Center facility. The facility was offered for sale and BART, the third owner occupant, exercised its first right of refusal to purchase the facility.

BAHA - Discretely Presented Component Unit

In 2012, BAHA entered into an office lease agreement with the BAAQMD to occupy space in BAMC. The lease agreement granted BAAQMD the option to purchase office space (in the form of a condominium interest) in BAMC (the "Purchase Option").

On November 7, 2013, BAAQMD issued a Certificate of Participation (COP) in the amount of \$30 million to secure an ownership interest in BAMC. BAHA purchased the COP and entered into a site and facilities lease and sublease agreement with BAAQMD in relation to the condominium interest. The lease term was 30 years. The effective date of these leases commenced from the date BAAQMD exercised its Purchase Option for the premises. The proceeds of the COP were held by a trustee in escrow on behalf of BAAQMD, and were released to BAHA at the time the Purchase Option was exercised. Rental payments under the site and facilities lease and sublease had been assigned to a trustee which was used to pay principal and interest to BAHA under the COP.

On June 2, 2017, BAAQMD exercised its purchase option to buy the condominium interest. The trustee released to BAHA the proceeds of the COP of \$29,707,755 held in escrow to pay for the purchase of the condominium interest, and the rental payment of the site and facilities lease and sublease in the amount of \$1,700,000 to pay down the COP principal. In addition, BAAQMD made \$9,000,000 in COP prepayment to BAHA.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2017 and 2016

Notes to Financial Statements

In 2013, BAHA and ABAG signed a Memorandum of Understanding (MOU), under which ABAG intended to enter into a purchase and sale agreement with BAHA to purchase a condominium interest in BAMC from BAHA. ABAG's purchase price for the condominium interest was the transfer of ABAG's condominium ownership interest in its previous headquarters, the Joseph P. Bort Metro Center ("Oakland Metro Center"), located at 101 Eighth Street, Oakland, CA 94607. In addition, ABAG paid BAHA \$800,000 for capital tenant improvements to BAMC. ABAG's budget funding for the capital tenant improvements was provided by MTC.

On May 19, 2016, BAHA entered into an office lease agreement with ABAG. The agreement allowed ABAG to take occupancy of ABAG's condominium interest in BAMC prior to the purchase of BAMC's agency space. The agreement stipulated that ABAG paid no base rent, but a portion of the operating expenses of BAMC as an additional rent starting July 2016.

In May 2016, BAAQMD and ABAG moved their offices to BAMC. BAAQMD's monthly lease payment began in July 2016, which was applied toward the payment of the purchase price option. BAAQMD paid a portion of BAMC's operating expenses starting July 2016.

On June 22, 2017, MTC and the San Francisco Bay Area Rapid District (BART) completed the sale of the Oakland Metro Center. MTC's share of the net proceeds was \$11,422,704 which was contributed to BAHA. ABAG's share of the net proceeds was \$5,015,496. Per the MOU signed in 2013 by ABAG and BAHA, ABAG would exchange its ownership interest in the Oakland Metro Center for the condominium unit at 375 Beale Street. The transaction was also executed on June 22, 2017.

The sales of BAHA's condominium interest to BAAQMD and ABAG resulted in a loss of \$4,231,869.

On June 22, 2017, 375 Beale Condominium Corporation ("375 Beale Condo") was incorporated in the State of California. The 375 Beale Condo started to exercise its custodial responsibility on behalf of the three owner occupants, BAHA, BAAQMD, and ABAG on July 1, 2017. The 375 Beale Condo assessed both facility common and agency common assessment fees to meet all required expenditures of the common area and joint used space.

13. SUBSEQUENT EVENTS

In May 2016, MTC's board approved the policy support for consolidation of MTC and ABAG staff functions. On May 30, 2017 MTC and ABAG signed a Contract for Services agreement for the consolidation of ABAG's staff and function to MTC with an effective date of July 1, 2017.

In August 2017, BATA issued 2017 Series E, G, and H toll revenue variable rate bonds in the total amount of \$552,000,000 and 2017 Series S-7 subordinate fixed rate bonds in the amount of \$1,403,000,000. The bonds were issued to (i) refund the 2014 Series B, portion of 2010 Series S-2, and 2013 Series S-4 bonds, (ii) make deposit to the Reserve account for the benefit of subordinate bonds, and (iii) pay the costs of issuing the 2017 Series subordinate Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

Metropolitan Transportation Commission
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and
Actual - General Fund (unaudited)
For the Year Ended June 30, 2017

Schedule I

	<u>Original Budget ⁽¹⁾</u>	<u>Final Budget ⁽¹⁾</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
REVENUES				
Sales tax	\$ 12,500,000	\$ 12,500,000	\$ 13,088,720	\$ 588,720
Grants - Federal	112,638,208	115,475,147	65,219,640	(50,255,507)
Grants - State	742,776	742,776	616,561	(126,215)
Local agencies revenues and refunds	4,479,171	5,227,466	4,856,377	(371,089)
Investment income - unrestricted	20,000	20,000	76,643	56,643
TOTAL REVENUES	130,380,155	133,965,389	83,857,941	(50,107,448)
EXPENDITURES				
General government	134,514,173	138,248,978	67,951,367	70,297,611
Allocations to other agencies	15,867,260	16,049,987	24,692,348	(8,642,361)
Capital outlay	674,032	674,032	164,855	509,177
TOTAL EXPENDITURES	151,055,465	154,972,997	92,808,570	62,164,427
REVENUES OVER (UNDER) EXPENDITURES	(20,675,310)	(21,007,608)	(8,950,629)	12,056,979
OTHER FINANCING SOURCES (USES)				
Transfers in	17,927,458	18,281,458	10,566,300	(7,715,158)
Transfers out	-	-	(44,628)	(44,628)
Sale of capital assets	-	-	11,146,656	11,146,656
Capital contribution to Bay Area Headquarters Authority	-	-	(11,422,704)	(11,422,704)
TOTAL OTHER FINANCING SOURCES (USES)	17,927,458	18,281,458	10,245,624	(8,035,834)
NET CHANGE IN FUND BALANCES	(2,747,852)	(2,726,150)	1,294,995	4,021,145
Fund balances - beginning	40,369,795	40,369,795	40,369,795	-
Fund balances - ending	<u>\$ 37,621,943</u>	<u>\$ 37,643,645</u>	<u>\$ 41,664,790</u>	<u>\$ 4,021,145</u>

⁽¹⁾ Budget prepared in accordance with GAAP.

See accompanying Report of Independent Auditors.

Metropolitan Transportation Commission

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and

Actual - AB 664 Net Toll Revenue Reserve Fund (unaudited)

For the Year Ended June 30, 2017

Schedule II

	Original Budget ⁽¹⁾	Final Budget ⁽¹⁾	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES				
Investment income - unrestricted	\$ -	\$ -	\$ 1,172,891	\$ 1,172,891
TOTAL REVENUES	-	-	1,172,891	1,172,891
EXPENDITURES				
General government	-	-	19,694	(19,694)
Allocations to other agencies	43,547,076	64,847,076	35,532,201	29,314,875
TOTAL EXPENDITURES	43,547,076	64,847,076	35,551,895	29,295,181
REVENUES UNDER EXPENDITURES	(43,547,076)	(64,847,076)	(34,379,004)	30,468,072
OTHER FINANCING SOURCES				
Transfers in	43,547,075	64,847,075	8,936,145	(55,910,930)
TOTAL OTHER FINANCING SOURCES	43,547,075	64,847,075	8,936,145	(55,910,930)
NET CHANGE IN FUND BALANCES	-	-	(25,442,859)	(25,442,858)
Fund balances - beginning	39,880,608	39,880,608	39,880,608	-
Fund balances - ending	\$ 39,880,607	\$ 39,880,607	\$ 14,437,749	\$ (25,442,858)

⁽¹⁾ Budget prepared in accordance with GAAP.

See accompanying Report of Independent Auditors.

Metropolitan Transportation Commission
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and
Actual - State Transit Assistance Fund (unaudited)
For the Year Ended June 30, 2017

Schedule III

	<u>Original Budget ⁽¹⁾</u>	<u>Final Budget ⁽¹⁾</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
REVENUES				
Grants - State	\$ 100,049,409	\$ 100,376,183	\$101,167,760	\$ 791,577
Local agencies revenues and refunds	-	-	5,027,828	5,027,828
Investment income - unrestricted	-	-	187,426	187,426
TOTAL REVENUES	<u>100,049,409</u>	<u>100,376,183</u>	<u>106,383,014</u>	<u>6,006,831</u>
EXPENDITURES				
Allocations to other agencies	<u>154,594,241</u>	<u>154,921,015</u>	<u>103,737,392</u>	<u>51,183,623</u>
TOTAL EXPENDITURES	<u>154,594,241</u>	<u>154,921,015</u>	<u>103,737,392</u>	<u>51,183,623</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(54,544,832)</u>	<u>(54,544,832)</u>	<u>2,645,622</u>	<u>57,190,454</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	54,544,832	54,544,832	637,313	(53,907,519)
Transfers out	-	-	(14,268,452)	(14,268,452)
TOTAL OTHER FINANCING SOURCES (USES)	<u>54,544,832</u>	<u>54,544,832</u>	<u>(13,631,139)</u>	<u>(68,175,971)</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>(10,985,517)</u>	<u>(10,985,517)</u>
Fund balances - beginning	<u>54,653,267</u>	<u>54,653,267</u>	<u>54,653,267</u>	<u>-</u>
Fund balances - ending	<u>\$ 54,653,267</u>	<u>\$ 54,653,267</u>	<u>\$ 43,667,750</u>	<u>\$ (10,985,517)</u>

⁽¹⁾ Budget prepared in accordance with GAAP.

See accompanying Report of Independent Auditors.

Metropolitan Transportation Commission
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and
Actual - Rail Reserves Fund (unaudited)
For the Year Ended June 30, 2017

Schedule IV

	<u>Original Budget ⁽¹⁾</u>	<u>Final Budget ⁽¹⁾</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
REVENUES				
Investment income - unrestricted	\$ -	\$ -	\$ 532,506	\$ 532,506
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>532,506</u>	<u>532,506</u>
EXPENDITURES				
General government	-	-	11,468	(11,468)
Allocations to other agencies	7,255,636	7,255,636	59,000,029	(51,744,393)
TOTAL EXPENDITURES	<u>7,255,636</u>	<u>7,255,636</u>	<u>59,011,497</u>	<u>(51,755,861)</u>
REVENUES UNDER EXPENDITURES	(7,255,636)	(7,255,636)	(58,478,991)	(51,223,355)
OTHER FINANCING SOURCES (USES)				
Transfers in	7,255,636	7,255,636	7,255,636	-
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>(51,223,355)</u>	<u>(51,223,355)</u>
Fund balances - beginning	<u>(40,997,772)</u>	<u>(40,997,772)</u>	<u>(40,997,772)</u>	<u>-</u>
Fund balances - ending	<u>\$ (40,997,772)</u>	<u>\$ (40,997,772)</u>	<u>\$ (92,221,127)</u>	<u>\$ (51,223,355)</u>

⁽¹⁾ Budget prepared in accordance with GAAP.

See accompanying Report of Independent Auditors.

Metropolitan Transportation Commission

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -

BART Car Exchange Fund (unaudited)

For the Year Ended June 30, 2017

Schedule V

	Original Budget ⁽¹⁾	Final Budget ⁽¹⁾	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES				
Local agencies revenues and refunds	\$ 49,971,976	\$ 47,116,668	\$ 52,547,712	\$ 5,431,044
Investment income - restricted	-	-	1,885,154	1,885,154
TOTAL REVENUES	<u>49,971,976</u>	<u>47,116,668</u>	<u>54,432,866</u>	<u>7,316,198</u>
EXPENDITURES				
General government	-	-	4,455	(4,455)
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>4,455</u>	<u>(4,455)</u>
NET CHANGE IN FUND BALANCES	49,971,976	47,116,668	54,428,411	7,311,743
Fund balances - beginning	<u>327,349,378</u>	<u>327,349,378</u>	<u>327,349,378</u>	-
Fund balances - ending	<u>\$ 377,321,354</u>	<u>\$ 374,466,046</u>	<u>\$ 381,777,789</u>	<u>\$ 7,311,743</u>

⁽¹⁾ Budget prepared in accordance with GAAP.

See accompanying Report of Independent Auditors.

Metropolitan Transportation Commission
Schedules of Funding Progress (unaudited)
For the Year Ended June 30, 2017

Schedule VI

Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
January 1, 2013	\$ 13,124,584	\$ 24,735,009	\$ 11,610,425	53.1 %	\$ 17,799,482	65.2 %
January 1, 2015	17,705,619	29,092,241	11,386,622	60.9 %	20,191,937	56.4 %
January 1, 2017	22,479,761	35,790,094	13,310,333	62.8 %	23,713,136	56.1 %

Metropolitan Transportation Commission
Schedule of Changes in the Net Pension Liability (unaudited)
For the Measurement Periods Ended June 30
Last Ten Years

Schedule VII

	2017*	2016*	2015*
Total Pension Liability			
Service cost	\$ 3,969,969	\$ 3,699,768	\$ 3,710,617
Interest	10,131,302	9,499,032	8,852,738
Changes of assumptions	-	(2,410,626)	-
Difference between expected and actual experience	(352,537)	515,758	-
Benefit payments and refunds of contribution	<u>(4,779,280)</u>	<u>(4,653,536)</u>	<u>(4,404,877)</u>
Net change in total pension liability	8,969,454	6,650,396	8,158,478
Total pension liability - beginning	<u>133,192,515</u>	<u>126,542,119</u>	<u>118,383,641</u>
Total pension liability - ending	<u><u>\$142,161,969</u></u>	<u><u>\$ 133,192,515</u></u>	<u><u>\$ 126,542,119</u></u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 4,128,694	\$ 3,819,020	\$ 3,313,040
Contributions - member	1,848,104	1,755,442	2,310,147
Net investment income	535,476	2,304,601	15,270,089
Benefit payments and refunds of contributions	(4,779,280)	(4,653,536)	(4,404,877)
Administrative expenses	<u>(64,478)</u>	<u>(119,062)</u>	<u>-</u>
Net change in plan fiduciary net position	1,668,516	3,106,465	16,488,399
Plan Fiduciary Net Position - beginning	<u>105,798,160</u>	<u>102,691,695</u>	<u>86,203,296</u>
Plan Fiduciary Net Position - ending	<u><u>\$107,466,676</u></u>	<u><u>\$ 105,798,160</u></u>	<u><u>\$ 102,691,695</u></u>
Net Pension Liability - ending	<u><u>\$ 34,695,293</u></u>	<u><u>\$ 27,394,355</u></u>	<u><u>\$ 23,850,424</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.59%	79.43%	81.15%
Covered Payroll¹	\$ 27,722,133	\$ 23,713,316	\$ 22,111,218
Plan Net Pension Liability as a Percentage of Covered Payroll¹	125.15%	115.52%	107.86%

¹ Fiscal year 2015 covered-employee payroll has been revised to covered payroll in accordance with the implementation guidance in GASB Statement 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*.

* Only three years' data is available. The amounts for 2017, 2016, and 2015 are determined as of the measurement dates of June 30, 2016, 2015, and 2014, respectively.

Metropolitan Transportation Commission
Schedule of Employer Contributions (unaudited)
As of June 30, 2017
Last Ten Years

Schedule VIII

Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially Determined Contribution	\$ 2,072,929	\$ 2,190,076	\$ 2,214,238	\$ 2,281,381	\$ 2,892,933	\$ 3,103,791	\$ 3,311,675	\$ 3,819,020	\$ 4,128,694	\$ 5,198,407
Contributions in Relation to the Actuarially Determined Contribution	<u>(2,072,929)</u>	<u>(2,190,076)</u>	<u>(2,214,238)</u>	<u>(2,281,381)</u>	<u>(2,892,933)</u>	<u>(3,103,791)</u>	<u>(3,311,675)</u>	<u>(3,819,020)</u>	<u>(4,128,694)</u>	<u>(5,198,407)</u>
Covered payroll ⁽¹⁾	<u>\$ 16,122,962</u>	<u>\$ 16,711,761</u>	<u>\$ 17,011,660</u>	<u>\$ 17,417,779</u>	<u>\$ 17,799,482</u>	<u>\$ 18,966,022</u>	<u>\$ 20,191,937</u>	<u>\$ 22,111,218</u>	<u>\$ 23,713,316</u>	<u>\$ 27,722,133</u>
Actual contributions as a percentage of covered payroll	12.86%	13.10%	13.02%	13.10%	16.25%	16.36%	16.40%	17.27%	17.41%	18.75%

⁽¹⁾ Covered-employee payroll numbers have been revised to covered payroll numbers in accordance with the implementation guidance in GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*.

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year 2015-16 were derived from the June 30, 2013 funding valuation report.

Actuarial Cost Method	Entry Age Normal
Amortization Method / Period	For details, see June 30, 2013 Funding Valuation Report.
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2013 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation.
Retirement Age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include five years of projected mortality improvement using Scale AA published by the Society of Actuaries.

OTHER SUPPLEMENTARY INFORMATION

Metropolitan Transportation Commission
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2017

Schedule 1

	<u>Transit Reserves</u>	<u>Exchange</u>	<u>Feeder Bus</u>	<u>Prop 1B Fund</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS						
Cash - unrestricted	\$ 21,026,112	\$ 28,616,654	\$ 169,178	\$ 1,326,455	\$ -	\$ 51,138,399
Investment - unrestricted	33,519,961	-	-	-	-	33,519,961
Receivables						
Accounts	-	1,100,000	-	-	-	1,100,000
Interest	30,937	-	-	-	-	30,937
Due from other funds	-	-	-	-	499,769	499,769
Prepaid items	-	-	-	1,666	-	1,666
TOTAL ASSETS	\$ 54,577,010	\$ 29,716,654	\$ 169,178	\$ 1,328,121	\$ 499,769	\$ 86,290,732
LIABILITIES						
Accounts payable and accrued expenditures	\$ 4,505,768	\$ -	\$ -	\$ 182,933	\$ -	\$ 4,688,701
Due to other funds	27,996	-	-	967	-	28,963
TOTAL LIABILITIES	4,533,764	-	-	183,900	-	4,717,664
DEFERRED INFLOWS OF RESOURCES						
Deferred revenues	42,056,945	-	-	-	-	42,056,945
TOTAL DEFERRED INFLOWS OF RESOURCES	42,056,945	-	-	-	-	42,056,945
FUND BALANCES						
Restricted for:						
Transportation projects	7,986,301	-	169,178	1,144,221	-	9,299,700
Committed to:						
Building reserve	-	-	-	-	499,769	499,769
Transportation projects	-	29,716,654	-	-	-	29,716,654
TOTAL FUND BALANCES	7,986,301	29,716,654	169,178	1,144,221	499,769	39,516,123
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 54,577,010	\$ 29,716,654	\$ 169,178	\$ 1,328,121	\$ 499,769	\$ 86,290,732

Metropolitan Transportation Commission
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Non-Major Governmental Funds
For the Year Ended June 30, 2017

Schedule 2

	Transit Reserves	Exchange	Feeder Bus	Prop 1B Fund	Capital Projects	Total Non-Major Governmental Funds
REVENUES						
Grants - State	\$ 3,243,001	\$ -	\$ -	\$ -	\$ -	\$ 3,243,001
Local agencies revenues and refunds	-	1,100,000	-	-	-	1,100,000
Investment income - unrestricted	263,545	131,179	775	6,731	-	402,230
TOTAL REVENUES	3,506,546	1,231,179	775	6,731	-	4,745,231
Expenditures						
Current:						
General government	-	-	-	468,788	-	468,788
Allocations to other agencies	6,025,115	-	-	-	-	6,025,115
TOTAL EXPENDITURES	6,025,115	-	-	468,788	-	6,493,903
EXCESS/(DEFICIENCY) OF REVENUES OVER/ (UNDER) EXPENDITURES	(2,518,569)	1,231,179	775	(462,057)	-	(1,748,672)
OTHER FINANCING SOURCES (USES)						
Transfers in	2,106,449	-	-	95,000	-	2,201,449
Transfers out	(51,785)	-	-	(967)	-	(52,752)
TOTAL OTHER FINANCING SOURCES	2,054,664	-	-	94,033	-	2,148,697
NET CHANGE IN FUND BALANCES	(463,905)	1,231,179	775	(368,024)	-	400,025
Fund balances - beginning	8,450,206	28,485,475	168,403	1,512,245	499,769	39,116,098
Fund balances - ending	\$ 7,986,301	\$ 29,716,654	\$ 169,178	\$ 1,144,221	\$ 499,769	\$ 39,516,123

Metropolitan Transportation Commission

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Transit Reserves Fund

For the Year Ended June 30, 2017

Schedule 3

	Original Budget ⁽¹⁾	Final Budget ⁽¹⁾	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES				
Grants - State	\$ 3,243,001	\$ 3,243,001	\$ 3,243,001	\$ -
Investment income - unrestricted	-	-	263,545	263,545
TOTAL REVENUES	3,243,001	3,243,001	3,506,546	263,545
EXPENDITURES				
Allocations to other agencies	21,006,346	21,006,346	6,025,115	14,981,231
TOTAL EXPENDITURES	21,006,346	21,006,346	6,025,115	14,981,231
REVENUES UNDER EXPENDITURES	(17,763,345)	(17,763,345)	(2,518,569)	15,244,776
OTHER FINANCING SOURCES (USES)				
Transfers in	17,763,345	17,763,345	2,106,449	(15,656,896)
Transfers out	-	-	(51,785)	(51,785)
TOTAL OTHER FINANCING SOURCES	17,763,345	17,763,345	2,054,664	(15,708,681)
NET CHANGE IN FUND BALANCES	-	-	(463,905)	(463,905)
Fund balances - beginning	8,450,206	8,450,206	8,450,206	-
Fund balances - ending	<u>\$ 8,450,206</u>	<u>\$ 8,450,206</u>	<u>\$ 7,986,301</u>	<u>\$ (463,905)</u>

⁽¹⁾ Budget prepared in accordance with GAAP.

Metropolitan Transportation Commission

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Exchange Fund

For the Year Ended June 30, 2017

Schedule 4

	Original Budget ⁽¹⁾	Final Budget ⁽¹⁾	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES				
Local agencies revenues and refunds	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ -
Investment income - unrestricted	-	-	131,179	131,179
TOTAL REVENUES	1,100,000	1,100,000	1,231,179	131,179
EXPENDITURES				
General government	53,910	53,910	-	53,910
Allocations to other agencies	1,100,000	1,100,000	-	1,100,000
TOTAL EXPENDITURES	1,153,910	1,153,910	-	1,153,910
REVENUES OVER (UNDER) EXPENDITURES	(53,910)	(53,910)	1,231,179	1,285,089
OTHER FINANCING USES				
Transfers out	-	-	-	-
TOTAL OTHER FINANCING USES	-	-	-	-
NET CHANGE IN FUND BALANCES	(53,910)	(53,910)	1,231,179	1,285,089
Fund balances - beginning	28,485,475	28,485,475	28,485,475	-
Fund balances - ending	\$ 28,431,565	\$ 28,431,565	\$ 29,716,654	\$ 1,285,089

⁽¹⁾ Budget prepared in accordance with GAAP.

Metropolitan Transportation Commission

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Feeder Bus Fund

For the Year Ended June 30, 2017

Schedule 5

	Original Budget ⁽¹⁾	Final Budget ⁽¹⁾	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES				
Investment income - unrestricted	\$ -	\$ -	\$ 775	\$ 775
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>775</u>	<u>775</u>
NET CHANGE IN FUND BALANCES	-	-	775	775
Fund balances - beginning	<u>168,403</u>	<u>168,403</u>	<u>168,403</u>	<u>-</u>
Fund balances - ending	<u>\$ 168,403</u>	<u>\$ 168,403</u>	<u>\$ 169,178</u>	<u>\$ 775</u>

⁽¹⁾ Budget prepared in accordance with GAAP.

Metropolitan Transportation Commission

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -

Prop 1B Fund

For the Year Ended June 30, 2017

Schedule 6

	Original Budget ⁽¹⁾	Final Budget ⁽¹⁾	Actual	Variance from Final Budget Favorable (Unfavorable)
REVENUES				
Investment income - unrestricted	\$ -	\$ -	\$ 6,731	\$ 6,731
TOTAL REVENUES	-	-	6,731	6,731
EXPENDITURES				
General government	1,512,245	1,512,245	468,788	1,043,457
TOTAL EXPENDITURES	1,512,245	1,512,245	468,788	1,043,457
REVENUES UNDER EXPENDITURES	(1,512,245)	(1,512,245)	(462,057)	1,050,188
OTHER FINANCING SOURCES				
Transfers in	-	-	95,000	95,000
Transfers out	-	-	(967)	(967)
TOTAL OTHER FINANCING SOURCES	-	-	94,033	94,033
NET CHANGE IN FUND BALANCES	(1,512,245)	(1,512,245)	(368,024)	1,144,221
Fund balances - beginning	1,512,245	1,512,245	1,512,245	-
Fund balances - ending	\$ -	\$ -	\$ 1,144,221	\$ 1,144,221

⁽¹⁾ Budget prepared in accordance with GAAP.

Metropolitan Transportation Commission
Schedule of Expenditures by Natural Classification
For the Year Ended June 30, 2017

Schedule 7

Expenditures by natural classification

Salaries & benefits	\$ 26,307,531
Travel	116,930
Professional fees	37,720,870
Overhead	3,798,073
Printing & reproduction	85,534
Other	<u>391,217</u>

Reported as general government expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds ⁽¹⁾	<u>\$ 68,420,155</u>
---	----------------------

Salaries & benefits - MTC Governmental	\$ 26,307,531
Salaries & benefits - MTC Clipper [®]	2,547,206
Salaries & benefits - BATA	11,588,271
Salaries & benefits - SAFE	844,885
Salaries & benefits - BAHA	<u>1,575,359</u>
Total salaries & benefits	<u>\$ 42,863,252</u>

Indirect Cost - MTC Governmental	\$ 3,798,074
Indirect Cost - MTC Clipper [®]	1,265,962
Indirect Cost - SAFE	419,908
Indirect Cost - BAHA	<u>782,954</u>
Total Indirect Cost	<u>\$ 6,266,898</u>

⁽¹⁾ General government expenditures - by Fund	
General Fund	\$ 67,951,367
Special Revenue - Prop 1B	<u>468,788</u>
Total general government expenditures	<u>\$ 68,420,155</u>

Metropolitan Transportation Commission
Schedule of Overhead, Salaries and Benefits Expenditures -
Governmental Funds
For the Year Ended June 30, 2017

Schedule 8

	Direct Costs*	Allowable Indirect Costs	Unallowable Costs	Total
Salaries	\$ 17,519,653	\$ 5,745,905	\$ -	\$ 23,265,558
Benefits	14,881,727	4,715,967	-	19,597,694
Total salaries and benefits	<u>\$ 32,401,380</u>	<u>\$ 10,461,872</u>	<u>\$ -</u>	<u>\$ 42,863,252</u>
Reimbursable overhead:**				
Agency temps		\$ 515,595	\$ -	\$ 515,595
Training		148,755	92,239	240,994
Personnel recruitment		67,660	-	67,660
Public hearing		5,282	-	5,282
Advertising		98,267	1,106	99,373
Communications		78,236	-	78,236
Utilities		4,195	-	4,195
Meeting room rental		13,117	-	13,117
Equipment rental		44,304	1,066	45,370
Parking rental		13,522	-	13,522
Storage rental		48,386	-	48,386
Computer maintenance & repair		49,342	-	49,342
Auto expense		45,901	-	45,901
General maintenance		3,662	-	3,662
Janitorial service		8,178	-	8,178
Office supplies		187,316	89	187,405
Printing & graphics supplies		5,233	-	5,233
Computer supplies		36,530	-	36,530
Computer software		887,138	1,680	888,818
Computer hardware		250,379	-	250,379
Furniture & fixtures		60,791	-	60,791
Postage & mailing		22,261	-	22,261
Memberships		35,822	53,809	89,631
Library acquisitions & subscriptions		32,745	-	32,745
Law library		17,970	-	17,970
Hosted services		423,286	-	423,286
Advisory member stipend		16,750	72,300	89,050
Audit fees		438,632	-	438,632
Newswire service		16,443	-	16,443
Insurance		241,941	-	241,941
Other		70,551	90,417	160,968
Miscellaneous		-	25,456	25,456
Travel		17,719	182,804	200,523
Professional fees		814,088	145,745	959,833
Building maintenance		880,190	-	880,190
Subtotal indirect costs		<u>5,600,187</u>	<u>666,711</u>	<u>6,266,898</u>
Carry forward provision for fiscal June 30, 2015		736,331	-	736,331
Depreciation expense		385,357	26,775	412,132
Total indirect costs including depreciation expense		<u>\$ 6,721,875</u>	<u>\$ 693,486</u>	<u>\$ 7,415,361</u>
Indirect costs recovered***		<u>\$ 16,103,657</u>		
Indirect (over)/under absorbed		<u>\$ 1,080,090</u>		

*Direct costs include MTC, BATA, SAFE, and BAHA salaries and benefits per Indirect Cost Plan for fiscal year 2017.

** Overhead distributed to MTC, BATA, SAFE, and BAHA per Indirect Cost Plan for fiscal year 2017.

*** Indirect costs recovered at 49.700% per Indirect Cost Plan for fiscal year 2017.

Metropolitan Transportation Commission
Schedule of Expenditures - Federal Highway Administration Grant
FY2017 OWPMTC
For the Year Ended June 30, 2017

Schedule 9

	ABAG	MTC	Total
Authorized Expenditures			
Federal	\$ 1,115,587	\$ 7,465,753	\$ 8,581,340
Total authorized expenditures	<u>1,115,587</u>	<u>7,465,753</u>	<u>8,581,340</u>
Actual Expenditures *			
<i>Program No. Program Name</i>			
Association of Bay Area Governments (ABAG)			
1611 Develop Community Projects	1,115,587	-	1,115,587
MTC			
1112 Public Information Program	-	1,843,757	1,843,757
1113 Support Partnership Board	-	135,000	135,000
1114 Support Advisory Committees	-	180,000	180,000
1121 Develop/Produce the 2001 RTP	-	1,340,000	1,340,000
1122 Dev/Anlyz Travel Models & Data	-	2,163,421	2,163,421
1125 Non-Motorized Transportation	-	67,292	67,292
1156 Library Services	-	147,913	147,913
1212 Dev MTS Performance Measures	-	180,000	180,000
1311 Dev/Imp Welfare to Work Prgms	-	80,000	80,000
1511 Conduct Fin Analy of RTP/Plng	-	299,639	299,639
1512 Implement Federal Transp Legisln	-	953,457	953,457
Total Expenditures	<u>1,115,587</u>	<u>7,390,479</u>	<u>8,506,066</u>
Balance of Federal Highway Administration Grant	<u>\$ -</u>	<u>\$ 75,274</u>	<u>\$ 75,274</u>

*Toll credit match rate (88.53%)

Metropolitan Transportation Commission
Toll Bridge Rate Schedule
By Fiscal Year

Schedule 10

Number of Axles Per Vehicle	Toll Rate for Fiscal Year Ending June 30,		
	2015	2016	2017
2 axles	\$ 5.00 *	\$ 5.00 *	\$ 5.00 *
3 axles	15.00	15.00	15.00
4 axles	20.00	20.00	20.00
5 axles	25.00	25.00	25.00
6 axles	30.00	30.00	30.00
7 axles or more	35.00	35.00	35.00

* During peak hours on all bridges, a reduced-rate toll of \$2.50 is collected on high-occupancy and inherently-low-emission two-axle vehicles. On the San Francisco-Oakland Bay Bridge, a weekday toll of \$6.00 is collected on all other two-axle vehicles during peak hours, and a weekday toll of \$4.00 is collected on all two-axle vehicles during non-peak hours.

Metropolitan Transportation Commission
Schedule of Computations Demonstrating
Bond Covenant Compliance - BATA Proprietary Fund
For the Year Ended June 30, 2017

Schedule 11

	2017
Revenues	
Toll revenues collected	\$ 720,784,303
Investment income	16,158,550
Other operating revenues	<u>26,477,053</u>
Revenues subtotal	763,419,906
Build America Bonds (BABs) interest subsidy	71,297,932
Derivative investment charge	<u>155,538,930</u>
Total revenues	<u>990,256,768</u>
Operating expenses	
Operating expenses incurred by Caltrans	25,018,218
Services and charges - BATA	52,202,341
Transbay Terminal JPA operations	<u>4,691,507</u>
Total operating expenses before depreciation and amortization	81,912,066
Depreciation and amortization	<u>5,803,130</u>
Total operating expenses	<u>87,715,196</u>
Net operating income	902,541,572
Nonoperating expenses (revenues)	
Interest expense	452,371,630
Financing fees and bond issuance costs	13,678,917
Other nonoperating expenses	68,881
Caltrans/other agency operating grants	(9,534,709)
Other nonoperating revenues	(1,524,628)
Return of contribution from BAHA	<u>(29,700,000)</u>
Total nonoperating expenses	<u>425,360,091</u>
Income before operating transfers	477,181,481
Operating transfers	
MTC/ SAFE/ CLIPPER administrative & operating transfers	10,637,082
MTC transit transfers:	
AB 664 expenses	8,936,145
90% rail expenses	7,255,636
2% transit expenses	2,106,449
Allocations to other agencies (RM2)	<u>42,677,112</u>
Total operating transfers	<u>71,612,424</u>
Net income before capital transfers	405,569,057
Capital project expenses (revenues)	
Capital expenses	34,825,132
Distribution to Caltrans for their capital purposes	221,054,905
Distributions to other agencies for their capital purposes	128,253,119
Distributions to MTC	380,996
Gain on sale of capital assets	<u>(757,260)</u>
Total capital project expenses	<u>383,756,892</u>
Change in net position	21,812,165
Total net position - beginning	<u>(6,662,356,977)</u>
Total net position - ending	<u>\$ (6,640,544,812)</u>

Metropolitan Transportation Commission
Schedule of Computations Demonstrating
Bond Covenant Compliance - BATA Proprietary Fund, *continued*
June 30, 2017

Schedule 11

	2017
Senior Bond - Debt Service Covenant	
Net revenue ¹	\$ 738,401,688
Debt service ²	262,813,777
Debt service coverage ⁴	2.81
Debt service coverage - bond covenant requirement	1.20
Net revenue ¹ plus operations & maintenance reserve	\$ 888,401,688
Fixed charges ⁵ , operating transfer and costs ⁷	320,819,478
Fixed charges coverage	2.77
Fixed charges coverage - bond covenant requirement	1.25
Combined Bonds - Debt Service Covenant	
Net revenue ¹	\$ 738,401,688
Debt service ^{3,10} , operating transfer and costs ^{7,11}	514,312,820
Sum sufficient coverage	1.44
Sum sufficient coverage - bond covenant requirement	1.00
Net revenue ^{1,6}	\$ 689,014,553
Debt service ³	435,908,698
Subordinate debt service coverage	1.58
Subordinate debt service coverage - bond covenant requirement	1.20
Self insurance reserve - Caltrans Cooperative Agreement ⁹	\$ 50,000,000
Operations & maintenance reserve ^{8,9}	150,000,000
Rehabilitation reserve ⁹	120,000,000
Project/operating reserves & variable rate risk reserve ⁹	\$ 680,000,000

¹ Revenues subtotal less Caltrans operating expenses.

² Senior debt service expense less BABs interest subsidy on senior bonds plus principal retirement of \$54,835,000..

³ Total debt service expense less BABs interest subsidy plus principal retirement of \$54,835,000.

⁴ Based on debt outstanding from May 24, 2001 to February 23, 2017.

⁵ Fixed charges comprise debt service and operating transfers.

⁶ Net revenues less Maintenance A transfer and net of BATA service charges against other agency operating grants.

⁷ Operating transfer and costs include RM 2 operating costs less amortization of Transit Transfer to MTC (Transit Transfer obligation for the next 44 years was fulfilled in early September 2010).

⁸ Minimum required operation & maintenance reserve is \$63 million, but currently maintained at \$150 million.

⁹ Designated reserves through BATA resolution.

¹⁰ Debt service includes Maintenance A transfer.

¹¹ Financing costs.

Metropolitan Transportation Commission

Schedule of Operating Revenues and Expenses - BATA Proprietary Fund - By Bridge

For the Year Ended June 30, 2017

Schedule 12

	<u>Carquinez Bridge</u>	<u>Benicia - Martinez Bridge</u>	<u>Antioch Bridge</u>	<u>Richmond - San Rafael Bridge</u>	<u>San Francisco - Oakland Bay Bridge</u>	<u>San Mateo - Hayward Bridge</u>	<u>Dumbarton Bridge</u>	<u>Total</u>
Operating revenues								
Toll revenues collected	\$123,022,648	\$116,977,648	\$15,425,397	\$ 78,142,955	\$ 227,403,833	\$100,495,035	\$59,316,787	\$ 720,784,303 *
Other operating revenues	<u>4,300,587</u>	<u>4,708,673</u>	<u>453,538</u>	<u>3,059,858</u>	<u>8,853,319</u>	<u>3,280,314</u>	<u>1,820,764</u>	<u>26,477,053</u>
Total operating revenues	<u>127,323,235</u>	<u>121,686,321</u>	<u>15,878,935</u>	<u>81,202,813</u>	<u>236,257,152</u>	<u>103,775,349</u>	<u>61,137,551</u>	<u>747,261,356</u>
Operating expenses								
Operating expenditures-by Caltrans & Transbay JPA	3,752,653	4,019,371	1,638,073	2,370,737	12,782,579	2,939,072	2,207,240	29,709,725
Services and charges	14,853,751	14,123,877	1,862,462	9,434,978	27,456,731	12,133,767	7,161,907	87,027,473
Allocations to other agencies	7,284,081	6,926,161	913,326	4,626,787	13,464,415	5,950,238	3,512,104	42,677,112
Depreciation	<u>988,775</u>	<u>944,999</u>	<u>123,314</u>	<u>630,610</u>	<u>1,834,741</u>	<u>805,905</u>	<u>474,786</u>	<u>5,803,130</u>
Total operating expenses	<u>26,879,260</u>	<u>26,014,408</u>	<u>4,537,175</u>	<u>17,063,112</u>	<u>55,538,466</u>	<u>21,828,982</u>	<u>13,356,037</u>	<u>165,217,440</u>
Operating income	<u>\$100,443,975</u>	<u>\$ 95,671,913</u>	<u>\$11,341,760</u>	<u>\$ 64,139,701</u>	<u>\$ 180,718,686</u>	<u>\$ 81,946,367</u>	<u>\$47,781,514</u>	<u>\$ 582,043,916</u>
*Toll revenues by Program								
Regional Measure 1 (RM 1)	27,369,390	25,191,454	3,462,517	16,758,677	49,306,384	21,887,603	12,642,373	156,618,398
Regional Measure 2 (RM 2)	20,856,015	20,701,465	2,523,833	14,022,473	42,251,169	17,730,219	10,791,960	128,877,134
Seismic Program	<u>74,797,242</u>	<u>71,084,729</u>	<u>9,439,047</u>	<u>47,361,805</u>	<u>135,846,280</u>	<u>60,877,213</u>	<u>35,882,455</u>	<u>435,288,771</u>
Total toll revenues	<u>\$123,022,647</u>	<u>\$116,977,648</u>	<u>\$15,425,397</u>	<u>\$ 78,142,955</u>	<u>\$ 227,403,833</u>	<u>\$100,495,035</u>	<u>\$59,316,788</u>	<u>\$ 720,784,303</u>

Metropolitan Transportation Commission
Combining Statement of Changes in Assets and Liabilities by Participant -
Agency Funds
For the Year Ended June 30, 2017

Schedule 13

	Balance			Balance
	July 1, 2016	Additions	Deductions	June 30, 2017
<u>County of Alameda</u>				
Assets				
Cash and investments	\$ 25,644,165	\$ 86,317,029	\$ 87,115,918	\$ 24,845,276
Interest receivables	16,974	33,000	16,974	33,000
Total Assets	<u>\$ 25,661,139</u>	<u>\$ 86,350,029</u>	<u>\$ 87,132,892</u>	<u>\$ 24,878,276</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 1,101,196	\$ 77,745,493	\$ 76,968,237	\$ 1,878,452
Due to other governments	24,559,943	8,604,536	10,164,655	22,999,824
Total Liabilities	<u>\$ 25,661,139</u>	<u>\$ 86,350,029</u>	<u>\$ 87,132,892</u>	<u>\$ 24,878,276</u>
<u>County of Contra Costa</u>				
Assets				
Cash and investments	\$ 18,558,116	\$ 46,915,022	\$ 47,344,589	\$ 18,128,549
Accounts receivable	-	67,527	-	67,527
Total Assets	<u>\$ 18,558,116</u>	<u>\$ 46,982,549</u>	<u>\$ 47,344,589</u>	<u>\$ 18,196,076</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 522,700	\$ 42,042,037	\$ 41,989,589	\$ 575,148
Due to other governments	18,035,416	4,940,512	5,355,000	17,620,928
Total Liabilities	<u>\$ 18,558,116</u>	<u>\$ 46,982,549</u>	<u>\$ 47,344,589</u>	<u>\$ 18,196,076</u>
<u>County of Marin</u>				
Assets				
Cash and investments	\$ 841,182	\$ 13,991,961	\$ 14,194,555	\$ 638,588
Interest receivables	1,525	2,030	1,525	2,030
Total Assets	<u>\$ 842,707</u>	<u>\$ 13,993,991</u>	<u>\$ 14,196,080</u>	<u>\$ 640,618</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 453,237	\$ 12,084,525	\$ 12,488,116	\$ 49,646
Due to other governments	389,470	1,909,466	1,707,964	590,972
Total Liabilities	<u>\$ 842,707</u>	<u>\$ 13,993,991</u>	<u>\$ 14,196,080</u>	<u>\$ 640,618</u>
<u>County of Napa</u>				
Assets				
Cash and investments	\$ 8,109,432	\$ 11,958,329	\$ 14,355,810	\$ 5,711,951
Total Assets	<u>\$ 8,109,432</u>	<u>\$ 11,958,329</u>	<u>\$ 14,355,810</u>	<u>\$ 5,711,951</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 296,788	\$ 12,976,500	\$ 13,223,678	\$ 49,610
Due to other governments	7,812,644	(1,018,171)	1,132,132	5,662,341
Total Liabilities	<u>\$ 8,109,432</u>	<u>\$ 11,958,329</u>	<u>\$ 14,355,810</u>	<u>\$ 5,711,951</u>

Metropolitan Transportation Commission
Combining Statement of Changes in Assets and Liabilities by Participant -
Agency Funds, *continued*
For the Year Ended June 30, 2017

Schedule 13

	Balance			Balance
	July 1, 2016	Additions	Deductions	June 30, 2017
<u>County of San Francisco</u>				
Assets				
Cash and investments	\$ 1,240,697	\$ 55,003,718	\$ 55,228,304	\$ 1,016,111
Interest receivables	-	3,436	-	3,436
Total Assets	<u>\$ 1,240,697</u>	<u>\$ 55,007,154</u>	<u>\$ 55,228,304</u>	<u>\$ 1,019,547</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 358,321	\$ 47,113,595	\$ 47,051,628	\$ 420,288
Due to other governments	882,376	7,893,559	8,176,676	599,259
Total Liabilities	<u>\$ 1,240,697</u>	<u>\$ 55,007,154</u>	<u>\$ 55,228,304</u>	<u>\$ 1,019,547</u>
<u>County of San Mateo</u>				
Assets				
Cash and investments	\$ 8,542,156	\$ 43,778,426	\$ 45,836,743	\$ 6,483,839
Interest receivables	-	22,143	-	22,143
Total Assets	<u>\$ 8,542,156</u>	<u>\$ 43,800,569</u>	<u>\$ 45,836,743</u>	<u>\$ 6,505,982</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 1,077,550	\$ 40,093,716	\$ 41,097,886	\$ 73,380
Due to other governments	7,464,606	3,706,853	4,738,857	6,432,602
Total Liabilities	<u>\$ 8,542,156</u>	<u>\$ 43,800,569</u>	<u>\$ 45,836,743</u>	<u>\$ 6,505,982</u>
<u>County of Santa Clara</u>				
Assets				
Cash and investments	\$ 10,144,044	\$ 121,793,154	\$ 124,860,730	\$ 7,076,468
Total Assets	<u>\$ 10,144,044</u>	<u>\$ 121,793,154</u>	<u>\$ 124,860,730</u>	<u>\$ 7,076,468</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 713,226	\$ 104,639,850	\$ 104,064,839	\$ 1,288,237
Due to other governments	9,430,818	17,153,304	20,795,891	5,788,231
Total Liabilities	<u>\$ 10,144,044</u>	<u>\$ 121,793,154</u>	<u>\$ 124,860,730</u>	<u>\$ 7,076,468</u>
<u>County of Solano</u>				
Assets				
Cash and investments	\$ 22,941,526	\$ 20,220,416	\$ 18,302,162	\$ 24,859,780
Total Assets	<u>\$ 22,941,526</u>	<u>\$ 20,220,416</u>	<u>\$ 18,302,162</u>	<u>\$ 24,859,780</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 1,873,503	\$ 14,841,748	\$ 15,924,759	\$ 790,492
Due to other governments	21,068,023	5,378,668	2,377,403	24,069,288
Total Liabilities	<u>\$ 22,941,526</u>	<u>\$ 20,220,416</u>	<u>\$ 18,302,162</u>	<u>\$ 24,859,780</u>

Metropolitan Transportation Commission
Combining Statement of Changes in Assets and Liabilities by Participant -
Agency Funds, *continued*
For the Year Ended June 30, 2017

Schedule 13

	Balance			Balance
	July 1, 2016	Additions	Deductions	June 30, 2017
<u>County of Sonoma</u>				
Assets				
Cash and investments	\$ 13,039,251	\$ 25,510,671	\$ 28,340,015	\$ 10,209,907
Total Assets	<u>\$ 13,039,251</u>	<u>\$ 25,510,671</u>	<u>\$ 28,340,015</u>	<u>\$ 10,209,907</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 1,296,996	\$ 25,434,691	\$ 25,357,876	\$ 1,373,811
Due to other governments	11,742,255	75,980	2,982,139	8,836,096
Total Liabilities	<u>\$ 13,039,251</u>	<u>\$ 25,510,671</u>	<u>\$ 28,340,015</u>	<u>\$ 10,209,907</u>
<u>AB1107</u>				
Assets				
Cash	\$ -	\$ 82,429,049	\$ 82,429,049	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 82,429,049</u>	<u>\$ 82,429,049</u>	<u>\$ -</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 82,429,049	\$ 82,429,049	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 82,429,049</u>	<u>\$ 82,429,049</u>	<u>\$ -</u>
<u>Clipper®</u>				
Assets				
Cash	\$ 71,974,026	\$ 424,244,891	\$ 410,728,842	\$ 85,490,075
Accounts receivable	8,366,348	987,763,948	988,897,406	7,232,890
Total Assets	<u>\$ 80,340,374</u>	<u>\$ 1,412,008,839</u>	<u>\$ 1,399,626,248</u>	<u>\$ 92,722,965</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 80,340,374	\$ 1,139,102,149	\$ 1,126,719,558	\$ 92,722,965
Total Liabilities	<u>\$ 80,340,374</u>	<u>\$ 1,139,102,149</u>	<u>\$ 1,126,719,558</u>	<u>\$ 92,722,965</u>
<u>Total - All Agency Funds</u>				
Assets				
Cash and investments	\$ 181,034,595	\$ 932,162,666	\$ 928,736,717	\$ 184,460,544
Interest receivable	18,499	60,609	18,499	60,609
Accounts receivable	8,366,348	987,831,475	988,897,406	7,300,417
Total Assets	<u>\$ 189,419,442</u>	<u>\$ 1,920,054,750</u>	<u>\$ 1,917,652,622</u>	<u>\$ 191,821,570</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 88,033,891	\$ 1,598,503,353	\$ 1,587,315,215	\$ 99,222,029
Due to other governments	101,385,551	48,644,707	57,430,717	92,599,541
Total Liabilities	<u>\$ 189,419,442</u>	<u>\$ 1,647,148,060</u>	<u>\$ 1,644,745,932</u>	<u>\$ 191,821,570</u>

Metropolitan Transportation Commission
Statement of Cash Collections and Disbursements - Agency Fund
Clipper® Program
For the Year Ended June 30, 2017

Schedule 14

Cash Collections

Autoload and remote add value	\$	243,722,387
Third party		173,447,352
Other receipts		<u>7,075,152</u>
Total Cash Collections		424,244,891

Cash Disbursements

Disbursements to operator		395,737,066
Patron refunds		7,737,973
Other disbursements		<u>7,253,803</u>
Total Cash Disbursements		410,728,842

Net Increase in Cash

		13,516,049
Cash - beginning balance		<u>71,974,026</u>
Cash - ending balance	\$	<u><u>85,490,075</u></u>

Metropolitan Transportation Commission
Schedule of Interest Rate Swaps Summary-BATA Proprietary Fund
For the Year Ended June 30, 2017

Schedule 15

Counterparty	Series 2001	Series 2006	Series 2007	Series 2008 F-1	Total	Percentage by counterparty	Ratings (S&P/Moodys)
Citibank, N.A., New York	\$ -	\$ 115,000,000	\$ 260,000,000	\$ -	\$ 375,000,000	20%	A+/A1
Wells Fargo Bank, N.A.	75,000,000	110,000,000	-	131,400,000	316,400,000	16%	AA-/Aa2
JP Morgan Chase Bank, N.A.	-	245,000,000	-	-	245,000,000	13%	A+/Aa3
Bank of America, N.A.	-	155,000,000	50,000,000	200,000,000	405,000,000	21%	A+/A1
Goldman Sachs Mitsui Marine Derivative Products LP	-	60,000,000	85,000,000	-	145,000,000	8%	AA-/Aa2
The Bank of New York Mellon	-	-	210,000,000	146,445,000	356,445,000	18%	AA-/Aa2
Morgan Stanley Capital Services LLC	75,000,000	-	-	-	75,000,000	4%	BBB+/A3
Total swap notional	\$ 150,000,000	\$ 685,000,000	\$ 605,000,000	\$ 477,845,000	\$ 1,917,845,000		
Fair value	\$ (41,181,863)	\$ (187,313,780)	\$ (162,064,776)	\$ (221,539)	\$ (390,781,958)		

Metropolitan Transportation Commission
Schedule of Interest Rate Swaps for Series 2001 - BATA Proprietary Fund
For the Year Ended June 30, 2017

Schedule 16

	Series 2001 A	Series 2001 A	Total
Notional amount	\$75,000,000	\$75,000,000	\$150,000,000
Trade date	1/22/2014 ⁽⁴⁾	6/26/2015 ⁽⁶⁾	
Effective date	1/1/2014	7/1/2015	
Swap mode	65% One Mth LIBOR	65% One Mth LIBOR	
Maturity	4/1/2036	4/1/2036	
Swap rate	4.09% ⁽⁵⁾	3.29%	
Counterparty (CP)	Morgan Stanley Capital Services LLC	Wells Fargo Bank, N.A.	
S&P/Moody's ratings	BBB+/A3	AA-/Aa2	
Ratings outlook	Stable/Stable	Negative/Stable	
Fair value due from/ (to) CP ⁽¹⁾	\$(24,396,275)	\$(16,785,588)	\$(41,181,863)
Credit risk			
CP Collateral Posting ⁽²⁾			
1a) CP = "A-", "A", or "A+" (S&P) or	No	No	
1b) CP = "A3", "A2", or "A1" (Moody's) and	Yes	No	
2) Termination value >\$10 million	No	No	
or			
CP Collateral Posting ⁽²⁾			
1c) CP < A- (S&P) or	Yes	No	
1d) CP < A3 (Moody's) and	No	No	
2) Termination value > \$0	No	No	
Ratings termination risk ⁽³⁾			
CP can terminate if BATA's Sr bond ratings (S&P or Moody's) is below	BBB-/Baa3	BBB+/Baa1	

⁽¹⁾Fair value is presented in accordance with GASB Statement No. 72.

⁽²⁾Unilateral collateral posting by counterparty.

⁽³⁾Unilateral termination at BATA's discretion unless ratings fall below the levels as listed in the table above.

⁽⁴⁾Amended and restated on 1/22/14. Original trade date was 01/10/2002.

⁽⁵⁾Fixed rate of 3.34% effective from 01/01/2014 through 12/31/2016. Fixed rate changed to 4.09% effective from 01/01/2017 through maturity.

⁽⁶⁾Amended and restated on 06/26/2015. Original trade date was 05/20/2011.

Metropolitan Transportation Commission
Schedule of Interest Rate Swaps for Series 2006 - BATA Proprietary Fund
For the Year Ended June 30, 2017

Schedule 17

	Series 2006	Series 2006	Series 2006	Series 2006	Series 2006	Series2006	Total
Notional amount	\$245,000,000	\$115,000,000	\$30,000,000	\$110,000,000	\$60,000,000	\$125,000,000	\$685,000,000
Trade date	4/1/2011 ⁽⁴⁾	3/20/2012 ⁽⁵⁾	5/25/2006 ⁽⁶⁾	3/20/2012	8/28/2008	6/26/2015 ⁽⁷⁾	
Effective date	4/1/2011	2/8/2006	2/8/2006	3/1/2012	8/1/2008	7/1/2015	
Swap mode	75.105% One Mth LIBOR	53.8% One Mth LIBOR+0.74%	68% One Mth LIBOR	53.8% One Mth LIBOR+0.74%	68% One Mth LIBOR	68% One Mth LIBOR	
Maturity	4/1/2045	4/1/2045	4/1/2045	4/1/2045	4/1/2045	4/1/2045	
Swap rate	4.00%	3.64%	3.63%	3.64%	3.64%	2.96%	
Counterparty (CP)	JP Morgan Chase Bank, N.A.	Citibank, N.A., New York	Bank of America, N.A.	Wells Fargo Bank, N.A.	Goldman Sachs Mitsui Marine Derivative Products LP	Bank of America, N.A.	
S&P/Moody's ratings	A+/Aa3	A+/A1	A+/A1	AA-/Aa2	AA-/Aa2	A+/A1	
Ratings outlook	Stable/Stable	Stable/Stable	Stable/Positive	Negative/ Stable	Stable/No outlook provided	Stable/Positive	
Fair value due from/ (to) CP ⁽¹⁾	\$(81,056,781)	\$(27,621,890)	\$(9,036,536)	\$(26,421,016)	\$(18,153,980)	\$(25,023,577)	\$(187,313,780)
Credit risk							
CP Collateral Posting ⁽²⁾							
1a) CP = "A-", "A", or "A+" (S&P) or	Yes	Yes	Yes	No	No	Yes	
1b) CP = "A3", "A2", or "A1" (Moody's) and	No	Yes	Yes	No	No	Yes	
2) Termination value > \$10 million	No	No	No	No	No	No	
or							
CP Collateral Posting ⁽²⁾							
1c) CP < A- (S&P) or	No	No	No	No	No	No	
1d) CP < A3 (Moody's) and	No	No	No	No	No	No	
2) Termination value > \$0	No	No	No	No	No	No	
Ratings termination risk ⁽³⁾							
CP can terminate if BATA's Sr bond ratings (S&P or Moody's) is below	BBB-/Baa3	BBB-/Baa3	BBB/Baa2(Insured)	BBB+/Baa1	BBB+/Baa1	BBB+/Baa1	

(1) Fair value is presented in accordance with GASB Statement No. 72.

(2) Unilateral collateral posting by counterparty.

(3) Unilateral termination at BATA's discretion unless ratings fall below the levels as listed in the table above.

(4) Amended and restated on 04/01/2011. Original trade date was 11/15/2005.

(5) Amended and restated for novation. Original trade date was 11/15/2005.

(6) Amended and restated on 05/25/2006. Original trade date was 11/15/2005.

(7) Amended and restated on 06/26/2015. Original trade date was 09/02/2008.

Metropolitan Transportation Commission
Schedule of Interest Rate Swaps for Series 2007 - BATA Proprietary Fund
For the Year Ended June 30, 2017

Schedule 18

	Series 2007	Series 2007	Series 2007	Series 2007	Series 2007	Total
Notional amount	\$260,000,000	\$50,000,000	\$85,000,000	\$170,000,000	\$40,000,000	\$605,000,000
Trade date	1/2/2009 ⁽⁴⁾	5/25/2006 ⁽⁵⁾	8/28/2008	9/2/2008	6/26/2015 ⁽⁶⁾	
Effective date	11/1/2007	11/1/2007	8/1/2008	9/2/2008	7/1/2015	
Swap mode	53.8% One Mth Libor + 0.74%	68% One Mth LIBOR	68% One Mth LIBOR	68% One Mth LIBOR	68% One Mth LIBOR	
Maturity	4/1/2047	4/1/2047	4/1/2047	4/1/2047	4/1/2047	
Swap rate	3.64%	3.63%	3.64%	3.64%	2.22%	
Counterparty (CP)	Citibank, N.A., New York	Bank of America, N.A.	Goldman Sachs Mitsui Marine Derivative Products LP	The Bank of New York Mellon	The Bank of New York Mellon	
S&P/Moody's ratings	A+/A1	A+/A1	AA-/Aa2	AA-/Aa2	AA-/Aa2	
Ratings outlook	Stable/Stable	Stable/Positive	Stable/No outlook provided	Stable/Stable	Stable/Stable	
Fair value due from/(to) CP ⁽¹⁾	\$(64,021,457)	\$(15,397,735)	\$(26,313,312)	\$(52,626,242)	\$(3,706,030)	\$ (162,064,776)
Credit risk						
CP Collateral Posting ⁽²⁾						
1a) CP = "A-", "A", or "A+" (S&P) or	Yes	Yes	No	No	No	
1b) CP = "A3", "A2", or "A1" (Moody's) and	Yes	Yes	No	No	No	
2) Termination value > \$10 million	No	No	No	No	No	
or						
CP Collateral Posting ⁽²⁾						
1c) CP <A- (S&P) or	No	No	No	No	No	
1d) CP <A3 (Moody's) and	No	No	No	No	No	
2) Termination value >\$0	No	No	No	No	No	
Ratings termination risk ⁽³⁾						
CP can terminate if BATA's Sr bond ratings (S&P or Moody's) is below	BBB-/Baa3	BBB/Baa2 (Insured)	BBB+/Baa1	BBB+/Baa1	BBB+/Baa1	

(1) Fair value is presented in accordance with GASB Statement No. 72.

(2) Unilateral collateral posting by counterparty.

(3) Unilateral termination at BATA's discretion unless ratings fall below the levels as listed in the table above.

(4) Amended and restated on 1/2/2009. Original trade date was 11/30/2005.

(5) Amended and restated on 5/25/2006. Original trade date was 11/30/2005.

(6) Amended and restated on 6/26/2015. Original trade date was 9/2/2008.

Metropolitan Transportation Commission
Schedule of SIFMA Rate Swaps for Series 2008 F-1 - BATA Proprietary Fund
For the Year Ended June 30, 2017

Schedule 19

	Series 2008 F-1	Series 2008 F-1	Series 2008 F-1	Series 2008 F-1	Total
Notional amount	\$131,400,000 ⁽⁴⁾	\$146,445,000	\$40,000,000	\$160,000,000	\$477,845,000
Trade date	6/26/2015 ⁽⁵⁾	6/26/2015 ⁽⁶⁾	6/26/2015 ⁽⁷⁾	6/26/2015 ⁽⁸⁾	
Effective date	7/1/2015 ⁽⁵⁾	7/1/2015 ⁽⁶⁾	7/1/2015 ⁽⁷⁾	7/1/2015 ⁽⁸⁾	
Swap fix receiver rate	3.10%	3.25%	3.55%	3.40%	
Maturity	4/1/2047	4/1/2047	4/1/2047	4/1/2045	
Swap payer index	SIFMA	SIFMA	SIFMA	SIFMA	
Counterparty (CP)	Wells Fargo Bank, N.A.	The Bank of New York Mellon	Bank of America, N.A.	Bank of America, N.A.	
S&P/Moody's ratings	AA-/Aa2	AA-/Aa2	A+/A1	A+/A1	
Ratings outlook	Negative/Stable	Stable/Stable	Stable/Positive	Stable/Positive	
Fair value due from/(to) CP ⁽¹⁾	\$(107,502)	\$(79,846)	\$(5,608)	\$(28,583)	\$(221,539)
Credit risk					
CP Collateral Posting ⁽²⁾					
1a) CP = "A-", "A", or "A+" (S&P) or	No	No	Yes	Yes	
1b) CP = "A3", "A2", or "A1" (Moody's) and	No	No	Yes	Yes	
2) Termination value > \$10 million	No	No	No	No	
or					
CP Collateral Posting ⁽²⁾					
1c) CP <A- (S&P) or	No	No	No	No	
1d) CP <A3 (Moody's) and	No	No	No	No	
2) Termination value > \$0	No	No	No	No	
Ratings termination risk ⁽³⁾					
CP can terminate if BATA's Sr bond ratings (S&P or Moody's) is below	BBB+/Baa1	BBB+/Baa1	BBB+/Baa1	BBB+/Baa1	

(1) Fair value is presented in accordance with GASB Statement No. 72.

(2) Unilateral collateral posting by counterparty.

(3) Unilateral termination at BATA's discretion with 15 days notice unless ratings fall below the levels as listed in the table above; CP has one time termination option on 4/1/2018.

(4) Wells Fargo notional reflects amortized balance as of 4/1/2018.

(5) Amended and restated on 6/26/2015. Original trade date was 3/31/2014. Effective on 7/1/2015, trade is suspended until 4/1/2018.

(6) Amended and restated on 6/26/2015. Original trade date was 8/28/2008. Effective on 7/1/2015, trade is suspended until 4/1/2018.

(7) Amended and restated on 6/26/2015. Original trade date was 3/30/2011. Effective on 7/1/2015, trade is suspended until 4/1/2018.

(8) Amended and restated on 6/26/2015. Original trade date was 8/28/2008. Effective on 7/1/2015, trade is suspended until 4/1/2018.

STATISTICAL SECTION

This part of MTC's comprehensive annual financial report presents detailed information to aid in understanding information contained in the financial statements, note disclosures, and required supplementary information. Some tables are not presented with ten years of data as the information was not available for these periods.

Contents	Page
-----------------	-------------

Financial Trends	123
-------------------------	------------

These schedules provide trend information to assist the reader in understanding the change in MTC's financial performance over time.

Revenue Capacity	128
-------------------------	------------

These schedules include information to help the reader assess MTC's most significant local revenue source, toll bridge revenues.

Debt Capacity	133
----------------------	------------

These schedules provide information to help the reader assess the affordability of MTC's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information	135
---	------------

These schedules offer demographic and economic indicators to help the reader understand the environment in which MTC's financial activities take place.

Operating Information	138
------------------------------	------------

These schedules contain service and infrastructure data to help the reader understand how the information in MTC's financial report relates to the services provided and the activities performed.

Metropolitan Transportation Commission
Net Position by Component (\$000) (unaudited)
By Fiscal Year

Table 1

	FISCAL YEAR									
	<u>2008</u>	<u>2009</u>	<u>2010*</u>	<u>2011*</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities										
Net investment in capital assets	\$ 8,768	\$ 8,393	\$ 7,936	\$ 7,277	\$ 6,712	\$ 6,134	\$ 5,737	\$ 5,080	\$ 5,072	\$ 364
Restricted	337,420	329,243	467,544	332,378	406,868	376,343	372,455	392,812	471,623	489,425
Unrestricted	(33,269)	(29,911)	(21,259)	(6,534)	(3,388)	23,983	28,005	33,891	(24,215)	(72,160)
Total governmental activities net position	<u>312,919</u>	<u>307,725</u>	<u>454,221</u>	<u>333,121</u>	<u>410,192</u>	<u>406,460</u>	<u>406,197</u>	<u>431,783</u>	<u>452,480</u>	<u>417,629</u>
Business-type activities										
Net investment in capital assets	\$ 8,206	\$ 12,779	\$ 18,199	\$ 17,825	\$ 19,192	\$ 23,112	\$ 27,033	\$ 28,516	\$ 56,525	\$ 78,054
Restricted	338,458	293,873	200,000	200,000	200,000	200,000	200,000	200,000	203,559	200,266
Unrestricted	(2,549,520)	(3,304,407)	(4,014,079)	(4,744,006)	(5,329,066)	(5,585,985)	(6,076,858)	(6,601,447)	(6,891,081)	(6,888,421)
Total business-type activities net position	<u>(2,202,856)</u>	<u>(2,997,755)</u>	<u>(3,795,880)</u>	<u>(4,526,181)</u>	<u>(5,109,874)</u>	<u>(5,362,873)</u>	<u>(5,849,825)</u>	<u>(6,372,931)</u>	<u>(6,630,997)</u>	<u>(6,610,101)</u>
Total primary government										
Net investment in capital assets	\$ 16,974	\$ 21,172	\$ 26,135	\$ 25,102	\$ 25,904	\$ 29,246	\$ 32,770	\$ 33,596	\$ 61,597	\$ 78,418
Restricted	675,878	623,116	667,544	532,378	606,868	576,343	572,455	592,812	675,182	689,691
Unrestricted	(2,582,789)	(3,334,318)	(4,035,338)	(4,750,540)	(5,332,454)	(5,562,002)	(6,048,853)	(6,567,556)	(6,915,296)	(6,960,581)
Total primary government net position	<u>\$ (1,889,937)</u>	<u>\$ (2,690,030)</u>	<u>\$ (3,341,659)</u>	<u>\$ (4,193,060)</u>	<u>\$ (4,699,682)</u>	<u>\$ (4,956,413)</u>	<u>\$ (5,443,628)</u>	<u>\$ (5,941,148)</u>	<u>\$ (6,178,517)</u>	<u>\$ (6,192,472)</u>

*Fiscal years 2010 and 2011 have been revised in accordance with the implementation guidance in GASB Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Fiscal years 2008 and 2009 have not been restated as permitted by the standards.

Metropolitan Transportation Commission
Changes in Net Position (\$000) (unaudited)
By Fiscal Year

Table 2

	FISCAL YEAR									
	2008	2009	2010*	2011*	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 85,203	\$ 86,672	\$ 97,260	\$ 78,611	\$ 77,165	\$ 69,123	\$ 78,763	\$ 81,168	\$ 77,038	\$ 103,883
Transportation	152,999	99,154	54,852	149,092	124,269	210,916	237,098	195,039	156,045	204,294
Total governmental activities expenses	<u>238,202</u>	<u>185,826</u>	<u>152,112</u>	<u>227,703</u>	<u>201,434</u>	<u>280,039</u>	<u>315,861</u>	<u>276,207</u>	<u>233,083</u>	<u>308,177</u>
Business-type activities:										
Clipper smart card	-	-	-	52,048	34,846	38,319	37,393	37,264	44,090	45,094
Toll bridge activities	1,234,968	1,299,135	1,300,850	1,569,444	1,352,120	1,189,447	1,586,156	1,008,115	935,544	980,645
Congestion relief	13,675	14,363	17,309	17,939	18,693	17,763	12,742	11,697	10,419	11,463
Total business-type activities expenses	<u>1,248,643</u>	<u>1,313,498</u>	<u>1,318,159</u>	<u>1,639,431</u>	<u>1,405,659</u>	<u>1,245,529</u>	<u>1,636,291</u>	<u>1,057,076</u>	<u>990,053</u>	<u>1,037,202</u>
Total primary government expenses	<u>\$ 1,486,845</u>	<u>\$ 1,499,324</u>	<u>\$ 1,470,271</u>	<u>\$ 1,867,134</u>	<u>\$ 1,607,093</u>	<u>\$ 1,525,568</u>	<u>\$ 1,952,152</u>	<u>\$ 1,333,283</u>	<u>\$ 1,223,136</u>	<u>\$ 1,345,379</u>
Program Revenues										
Governmental activities:										
Charges for services										
Operating grants and contributions	\$ 207,496	\$ 85,048	\$ 249,436	\$ 74,274	\$ 245,171	\$ 250,529	\$ 301,254	\$ 303,823	\$ 233,919	\$ 247,211
Capital grants and contributions	9,858	61,796	10,673	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>217,354</u>	<u>146,844</u>	<u>260,109</u>	<u>74,274</u>	<u>245,171</u>	<u>250,529</u>	<u>301,254</u>	<u>303,823</u>	<u>233,919</u>	<u>247,211</u>
Business-type activities:										
Charges for services										
Operating grants and contributions	497,712	492,963	486,889	622,906	660,156	690,181	713,147	740,510	760,872	772,292
Capital grants and contributions	110,372	53,490	131,872	281,918	263,080	272,281	393,471	95,622	102,705	88,931
Capital grants and contributions	-	-	-	327	-	-	81,209	-	3,559	9,220
Total business-type activities program revenues	<u>608,084</u>	<u>546,453</u>	<u>618,761</u>	<u>905,151</u>	<u>923,236</u>	<u>962,462</u>	<u>1,187,827</u>	<u>836,132</u>	<u>867,136</u>	<u>870,443</u>
Total primary government program revenues	<u>\$ 825,438</u>	<u>\$ 693,297</u>	<u>\$ 878,870</u>	<u>\$ 979,425</u>	<u>\$ 1,168,407</u>	<u>\$ 1,212,991</u>	<u>\$ 1,489,081</u>	<u>\$ 1,139,955</u>	<u>\$ 1,101,055</u>	<u>\$ 1,117,654</u>
Net (expense)/revenue										
Governmental activities	\$ (20,848)	\$ (38,982)	\$ 107,997	\$ (153,429)	\$ 43,737	\$ (29,510)	\$ (14,607)	\$ 27,616	\$ 836	\$ (60,966)
Business-type activities	(640,559)	(767,045)	(699,398)	(734,280)	(482,423)	(283,067)	(448,464)	(220,944)	(122,917)	(166,759)
Total primary government net expense	<u>\$ (661,407)</u>	<u>\$ (806,027)</u>	<u>\$ (591,401)</u>	<u>\$ (887,709)</u>	<u>\$ (438,686)</u>	<u>\$ (312,577)</u>	<u>\$ (463,071)</u>	<u>\$ (193,328)</u>	<u>\$ (122,081)</u>	<u>\$ (227,725)</u>

*Fiscal years 2010 and 2011 have been revised in accordance with the implementation guidance in GASB Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Fiscal years 2008 and 2009 have not been restated as permitted by the standards.

Metropolitan Transportation Commission
Changes in Net Position (\$000) (unaudited), *continued*
By Fiscal Year

Table 2

	FISCAL YEAR									
	<u>2008</u>	<u>2009</u>	<u>2010*</u>	<u>2011*</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Restricted investment earnings	\$ 1,454	\$ 784	\$ 222	\$ 408	\$ 204	\$ 144	\$ 285	\$ 493	\$ 1,172	\$ 1,885
Unrestricted investment earnings	9,936	5,002	1,963	2,448	2,416	1,988	1,650	1,520	1,705	2,372
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	6,628
Transfers	28,922	28,003	36,314	29,473	30,714	23,645	12,409	15,336	16,984	15,231
Total governmental activities	<u>40,312</u>	<u>33,789</u>	<u>38,499</u>	<u>32,329</u>	<u>33,334</u>	<u>25,777</u>	<u>14,344</u>	<u>17,349</u>	<u>19,861</u>	<u>26,116</u>
Business-type activities:										
Unrestricted investment earnings	116,704	149	(14,866)	33,452	(70,557)	53,714	(1,256)	(277,337)	(175,359)	171,808
Return of contribution from BAHA	-	-	-	-	-	-	-	-	-	29,700
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	1,378
Transfers	(28,922)	(28,003)	(36,314)	(29,473)	(30,714)	(23,645)	(12,409)	(15,336)	(16,984)	(15,231)
Total business-type activities	<u>87,782</u>	<u>(27,854)</u>	<u>(51,180)</u>	<u>3,979</u>	<u>(101,271)</u>	<u>30,069</u>	<u>(13,665)</u>	<u>(292,673)</u>	<u>(192,343)</u>	<u>187,655</u>
Total primary government	<u>\$ 128,094</u>	<u>\$ 5,935</u>	<u>\$ (12,681)</u>	<u>\$ 36,308</u>	<u>\$ (67,937)</u>	<u>\$ 55,846</u>	<u>\$ 679</u>	<u>\$ (275,324)</u>	<u>\$ (172,482)</u>	<u>\$ 213,771</u>
Change in Net Position										
Governmental activities	\$ 19,465	\$ (5,194)	\$ 146,496	\$ (121,100)	\$ 77,072	\$ (3,733)	\$ (263)	\$ 44,965	\$ 20,697	\$ (34,850)
Business-type activities	(552,777)	(794,899)	(750,578)	(730,301)	(583,694)	(252,998)	(462,129)	(513,617)	(315,260)	20,896
Total primary government	<u>\$ (533,312)</u>	<u>\$ (800,093)</u>	<u>\$ (604,082)</u>	<u>\$ (851,401)</u>	<u>\$ (506,622)</u>	<u>\$ (256,731)</u>	<u>\$ (462,392)</u>	<u>\$ (468,652)</u>	<u>\$ (294,563)</u>	<u>\$ (13,954)</u>

*Fiscal years 2010 and 2011 have been revised in accordance with the implementation guidance in GASB Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Fiscal years 2008 and 2009 have not been restated as permitted by the standards.

Metropolitan Transportation Commission
Fund Balances of Governmental Funds (\$000) (unaudited)
By Fiscal Year

Table 3

	FISCAL YEAR									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General fund										
Nonspendable	\$ 408	\$ 593	\$ 763	\$ 918	\$ 1,037	\$ 1,033	\$ 1,209	\$ 1,328	\$ 1,305	\$ 823
Restricted for	4,175	5,086	2,734	1,954	2,389	1,254	528	512	158	49
Committed to	3,002	3,836	4,960	2,855	3,992	1,961	2,688	3,132	6,014	4,002
Unassigned	11,676	10,210	11,009	17,834	20,363	26,641	29,750	31,705	32,893	36,791
Total general fund	<u>\$ 19,261</u>	<u>\$ 19,725</u>	<u>\$ 19,466</u>	<u>\$ 23,561</u>	<u>\$ 27,781</u>	<u>\$ 30,889</u>	<u>\$ 34,175</u>	<u>\$ 36,677</u>	<u>\$ 40,370</u>	<u>\$ 41,665</u> *
All other governmental funds										
Restricted for	\$ 272,730	\$ 268,794	\$ 415,129	\$ 290,757	\$ 362,492	\$ 349,615	\$ 339,144	\$ 384,916	\$ 432,015	\$ 449,183
Committed to	7,372	6,550	7,573	7,509	8,573	15,096	21,501	28,024	28,985	30,216
Unassigned	-	-	-	-	-	-	-	(10,445)	(40,998)	(92,221)
Total all other governmental funds	<u>\$ 280,102</u>	<u>\$ 275,344</u>	<u>\$ 422,702</u>	<u>\$ 298,266</u>	<u>\$ 371,065</u>	<u>\$ 364,711</u>	<u>\$ 360,645</u>	<u>\$ 402,495</u>	<u>\$ 420,002</u>	<u>\$ 387,178</u> *

* The decreases in total fund balance of the general fund and the other governmental funds in fiscal year 2017 are explained in Management's Discussion and Analysis.

Metropolitan Transportation Commission
Changes in Fund Balances of Governmental Funds (\$000) (unaudited)
By Fiscal Year

Table 4

	FISCAL YEAR									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues										
Sales taxes	\$ 10,800	\$ 9,848	\$ 8,824	\$ 9,644	\$ 10,504	\$ 11,162	\$ 11,735	\$ 12,374	\$ 12,812	\$ 13,089
Grants - Federal	50,727	41,426	63,559	48,819	50,022	45,795	52,831	56,491	48,950	65,220
Grants - State	127,565	61,796	148,976	5,392	145,788	160,060	151,916	148,032	115,262	105,027
Local agencies revenues and refunds	33,039	33,774	46,755	18,419	46,022	41,148	88,712	86,553	57,917	63,532
Investment income - unrestricted	11,346	5,002	1,963	2,448	2,416	1,988	1,650	1,520	1,705	2,372
Investment income - restricted	1,454	783	222	408	204	144	285	493	1,173	1,885
Total revenues	<u>234,931</u>	<u>152,629</u>	<u>270,299</u>	<u>85,130</u>	<u>254,956</u>	<u>260,297</u>	<u>307,129</u>	<u>305,463</u>	<u>237,819</u>	<u>251,125</u>
Expenditures										
General government	74,153	64,358	70,100	72,612	70,376	65,175	70,387	68,463	63,439	68,456
Allocation to other agencies	163,201	107,027	66,875	162,266	138,105	221,642	249,434	207,804	169,527	228,987
Capital outlay	15,744	13,542	22,538	66	170	372	496	180	639	165
Total expenditures	<u>253,098</u>	<u>184,927</u>	<u>159,513</u>	<u>234,944</u>	<u>208,651</u>	<u>287,189</u>	<u>320,317</u>	<u>276,447</u>	<u>233,605</u>	<u>297,608</u>
Excess of revenues over (under) expenditures	(18,167)	(32,298)	110,786	(149,814)	46,305	(26,892)	(13,188)	29,016	4,214	(46,483)
Other financing sources (uses)										
Other financing source	47,000	-	-	-	-	-	-	-	-	-
Transfer in	49,778	57,683	44,195	35,310	34,468	30,666	31,249	33,190	32,082	29,597
Transfer out	(20,856)	(29,680)	(7,881)	(5,838)	(3,754)	(7,021)	(18,841)	(17,854)	(15,098)	(14,366)
Sale of capital assets	-	-	-	-	-	-	-	-	-	11,147
Contribution to Bay Area Headquarters Authority	-	-	-	-	-	-	-	-	-	(11,423)
Total other financing sources (uses)	<u>75,922</u>	<u>28,003</u>	<u>36,314</u>	<u>29,472</u>	<u>30,714</u>	<u>23,645</u>	<u>12,408</u>	<u>15,336</u>	<u>16,984</u>	<u>14,955</u>
Net change in fund balances	<u>\$ 57,755</u>	<u>\$ (4,295)</u>	<u>\$ 147,100</u>	<u>\$ (120,342)</u>	<u>\$ 77,019</u>	<u>\$ (3,247)</u>	<u>\$ (780)</u>	<u>\$ 44,352</u>	<u>\$ 21,198</u>	<u>\$ (31,528)</u>

Metropolitan Transportation Commission
Primary Government Revenues (unaudited)
By Fiscal Year

Table 5

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES				Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Restricted Investment Earnings	Unrestricted Investment Earnings/Charges	Return of Contribution from BAHA	Gain on Sale of Capital Assets	
2008	¹ \$ 497,712,304	\$ 317,868,256	\$ 9,858,000	\$ 1,454,256	\$ 126,640,261	\$ -	\$ -	953,533,077
2009	² 492,963,040	200,334,018	-	783,516	5,150,515	-	-	699,231,089
2010	³ 486,888,891	381,308,169	10,672,699	221,925	(12,903,019)	-	-	866,188,665
2011	⁴ 622,905,920	356,192,046	327,301	408,234	35,900,213	-	-	1,015,733,714
2012	660,156,182	508,251,355	-	203,961	(68,140,306)	-	-	1,100,471,192
2013	⁵ 690,180,714	522,809,673	-	144,217	55,701,920	-	-	1,268,836,524
2014	⁶ 713,146,710	694,725,536	81,209,050	284,620	394,366	-	-	1,489,760,282
2015	⁷ 740,510,656	399,445,120	-	493,439	(275,817,194)	-	-	864,632,021
2016	760,871,690	336,623,906	3,559,290	1,172,944	(173,654,286)	-	-	928,573,544
2017	\$ 772,292,468	\$ 336,142,333	\$ 9,219,623	\$ 1,885,154	\$ 174,180,056	\$ 29,700,000	\$ 8,005,978	1,331,425,612

1 Excludes \$1.008 billion bond proceeds
2 Excludes \$708 million bond proceeds
3 Excludes \$2.069 billion bond proceeds
4 Excludes \$2.385 billion bond proceeds
5 Excludes \$908 million bond proceeds
6 Excludes \$900 million bond proceeds
7 Excludes \$2.213 billion bond proceeds

Metropolitan Transportation Commission
Primary Government Expenses by Function (unaudited)
By Fiscal Year

Table 6

Fiscal Year	General Government	Transportation	Toll Bridge Activities	Congestion Relief	Clipper[®]	Total
2008	\$ 85,202,758	\$ 152,998,857	\$ 1,234,968,178	\$ 13,675,326	-	\$ 1,486,845,119
2009	86,671,886	99,153,429	1,299,135,147	14,363,137	-	1,499,323,599
2010*	97,259,761	54,851,617	1,300,850,028	17,309,069	-	1,470,270,475
2011*	78,610,828	149,092,421	1,569,444,305	17,938,280	52,047,730	1,867,133,564
2012	77,165,020	124,269,186	1,352,120,141	18,692,766	34,846,108	1,607,093,221
2013	69,122,603	210,915,679	1,189,447,185	17,762,774	38,319,247	1,525,567,488
2014	78,763,519	237,097,812	1,586,156,184	12,742,160	37,392,814	1,952,152,489
2015	81,168,440	195,038,682	1,008,115,070	11,696,862	37,264,816	1,333,283,870
2016	77,038,765	156,045,404	935,543,616	10,418,605	44,090,317	1,223,136,707
2017	\$ 103,883,046	\$ 204,294,737	\$ 980,644,892	\$ 11,463,126	\$ 45,093,517	\$ 1,345,379,318

*Fiscal years 2010 and 2011 have been revised in accordance with the implementation guidance in GASB Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance contained in Pre- November 30, 1989 FASB and AICPA Pronouncements and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Fiscal years 2008 and 2009 have not been restated as permitted by the standards.

Metropolitan Transportation Commission
Toll Revenues - By Bridge (unaudited)
By Fiscal Year

Table 7

Fiscal Year	San Francisco-Oakland Bay Bridge	San Mateo-Hayward Bridge	Dumbarton Bridge	Carquinez Bridge	Benicia-Martinez Bridge	Antioch Bridge	Richmond-San Rafael Bridge	Total Revenue
2008	\$ 161,335,048	\$ 59,628,110	\$ 37,589,986	\$ 85,225,636	\$ 73,663,301	\$ 10,545,060	\$ 49,389,963	\$ 477,377,104
2009	163,424,734	56,451,232	35,491,342	83,121,692	73,535,614	9,848,575	48,263,187	470,136,376
2010	157,455,482	58,242,972	35,674,460	81,501,610	74,627,628	9,498,837	49,084,593	466,085,582
2011	210,190,214	75,064,299	46,782,024	100,918,100	92,268,264	11,080,910	61,058,136	597,361,947
2012	215,612,429	81,627,375	48,539,902	106,862,308	95,967,433	11,982,407	65,271,303	625,863,157
2013	221,544,298	85,968,027	50,626,212	112,580,359	101,036,856	12,449,046	68,770,541	652,975,339
2014	222,048,270	91,087,608	54,087,642	113,605,892	105,084,694	13,033,474	72,559,357	671,506,937
2015	228,421,032	93,335,417	57,162,481	117,429,187	109,471,720	13,611,031	75,523,984	694,954,852
2016	229,130,964	98,997,393	58,501,070	121,273,702	114,971,355	13,874,932	77,382,940	714,132,356
2017	\$ 227,403,833	\$ 100,495,035	\$ 59,316,788	\$ 123,022,647	\$ 116,977,648	\$ 15,425,397	\$ 78,142,955	\$ 720,784,303

Metropolitan Transportation Commission
Paid and Free Vehicles - By Bridge (in Number of Vehicles) (unaudited)
By Fiscal Year

Table 8

Fiscal Year	San Francisco-Oakland Bay Bridge	San Mateo-Hayward Bridge	Dumbarton Bridge	Carquinez Bridge	Benicia-Martinez Bridge	Antioch Bridge	Richmond-San Rafael Bridge	Total Traffic
2008	45,139,513	16,376,583	10,767,813	21,795,287	18,508,003	2,559,936	12,528,248	127,675,383
2009	45,568,253	15,466,520	10,214,522	21,091,173	18,295,365	2,345,007	12,215,518	125,196,358
2010	43,579,404	15,808,435	10,135,134	20,517,470	18,581,186	2,263,717	12,383,708	123,269,054
2011	44,317,350	15,407,582	9,777,172	20,026,368	18,308,458	2,168,699	12,177,540	122,183,169
2012	44,460,209	16,241,002	9,929,399	20,065,557	18,266,053	2,181,315	12,523,905	123,667,440
2013	45,071,936	16,692,221	10,205,793	20,176,369	18,531,052	2,128,525	12,785,217	125,591,113
2014	45,332,246	17,758,098	10,909,076	20,397,621	19,237,717	2,193,962	13,561,516	129,390,236
2015	46,994,056	18,240,477	11,591,256	21,123,039	20,055,430	2,347,039	14,201,661	134,552,958
2016	47,754,079	19,502,252	11,889,024	22,002,165	21,210,960	2,411,138	14,606,825	139,376,443
2017	47,996,192	19,918,887	12,046,423	22,457,814	21,784,617	2,735,244	14,849,279	141,788,456

Metropolitan Transportation Commission
Average Toll Rate Revenues (\$000) - By Bridge (unaudited)
By Fiscal Year

Table 9

Fiscal Year	Antioch Bridge	Benicia- Martinez Bridge	Carquinez Bridge	Richmond Bridge	San Mateo - Hayward Bridge	Dumbarton Bridge	San Francisco - Oakland Bay Bridge
2008							
No. of paid vehicles ('000s)	2,366	17,440	19,875	11,782	14,358	9,194	39,555
Average toll rate	\$ 4.46	\$ 4.22	\$ 4.29	\$ 4.19	\$ 4.15	\$ 4.09	\$ 4.08
Total revenues	\$ 10,545	\$ 73,663	\$ 85,226	\$ 49,390	\$ 59,628	\$ 37,590	\$ 161,335
2009							
No. of paid vehicles ('000s)	2,208	17,426	19,441	11,542	13,629	8,708	40,118
Average toll rate	\$ 4.46	\$ 4.22	\$ 4.28	\$ 4.18	\$ 4.14	\$ 4.08	\$ 4.07
Total revenues	\$ 9,849	\$ 73,536	\$ 83,122	\$ 48,263	\$ 56,451	\$ 35,491	\$ 163,425
2010							
No. of paid vehicles ('000s)	2,136	17,715	19,057	11,752	14,058	8,746	38,649
Average toll rate	\$ 4.45	\$ 4.21	\$ 4.28	\$ 4.18	\$ 4.14	\$ 4.08	\$ 4.07
Total revenues	\$ 9,499	\$ 74,628	\$ 81,502	\$ 49,085	\$ 58,243	\$ 35,674	\$ 157,455
2011							
No. of paid vehicles ('000s)	2,118	17,987	19,593	11,987	15,209	9,634	43,282
Average toll rate	\$ 5.23	\$ 5.13	\$ 5.15	\$ 5.09	\$ 4.94	\$ 4.86	\$ 4.86
Total revenues	\$ 11,081	\$ 92,268	\$ 100,918	\$ 61,058	\$ 75,064	\$ 46,782	\$ 210,190
2012							
No. of paid vehicles ('000s)	2,124	17,980	19,613	12,320	16,016	9,777	43,382
Average toll rate	\$ 5.64	\$ 5.36	\$ 5.45	\$ 5.30	\$ 5.10	\$ 4.96	\$ 4.97
Total revenues	\$ 11,982	\$ 95,967	\$ 106,862	\$ 65,271	\$ 81,627	\$ 48,540	\$ 215,612
2013							
No. of paid vehicles ('000s)	2,078	18,101	19,685	12,558	16,426	10,010	43,872
Average toll rate	\$ 5.99	\$ 5.58	\$ 5.72	\$ 5.48	\$ 5.23	\$ 5.06	\$ 5.05
Total revenues	\$ 12,449	\$ 101,037	\$ 112,580	\$ 68,771	\$ 85,968	\$ 50,626	\$ 221,544
2014							
No. of paid vehicles ('000s)	2,142	18,791	19,856	13,309	17,434	10,712	44,037
Average toll rate	\$ 6.08	\$ 5.59	\$ 5.72	\$ 5.45	\$ 5.22	\$ 5.05	\$ 5.04
Total revenues	\$ 13,033	\$ 105,085	\$ 113,606	\$ 72,559	\$ 91,088	\$ 54,088	\$ 222,048
2015							
No. of paid vehicles ('000s)	2,289	19,586	20,529	13,914	17,902	11,379	45,535
Average toll rate	\$ 5.95	\$ 5.59	\$ 5.72	\$ 5.43	\$ 5.21	\$ 5.02	\$ 5.02
Total revenues	\$ 13,611	\$ 109,472	\$ 117,429	\$ 75,524	\$ 93,335	\$ 57,163	\$ 228,421
2016							
No. of paid vehicles ('000s)	2,346	20,637	21,241	14,267	19,079	11,648	46,038
Average toll rate	\$ 5.91	\$ 5.57	\$ 5.71	\$ 5.42	\$ 5.19	\$ 5.02	\$ 4.98
Total revenues	\$ 13,875	\$ 114,971	\$ 121,274	\$ 77,383	\$ 98,997	\$ 58,501	\$ 229,131
2017							
No. of paid vehicles ('000s)	2,655	21,043	21,516	14,450	19,404	11,767	45,979
Average toll rate	\$ 5.81	\$ 5.56	\$ 5.72	\$ 5.41	\$ 5.18	\$ 5.04	\$ 4.95
Total revenues	\$ 15,425	\$ 116,978	\$ 123,022	\$ 78,143	\$ 100,495	\$ 59,317	\$ 227,404

Metropolitan Transportation Commission
Ratios of General Bonded Debt Outstanding (unaudited)
By Fiscal Year

Table 10

Fiscal Year		Toll Revenue Bonds	Less: Amounts Available in Debt Service Fund	Total	Toll Revenues	Per Toll Vehicle
2008	\$	4,328,390,000	\$ 238,449,821	\$ 4,089,940,179	\$ 477,377,104	32
2009		4,338,155,000	282,727,772	4,055,427,228	470,136,376	32
2010		5,595,125,000	358,975,732	5,236,149,268	466,085,582	42
2011		7,943,135,000	456,507,625	7,486,627,375	597,361,947	61
2012		7,904,440,000	455,624,170	7,448,815,830	625,863,157	60
2013		7,700,750,000	427,025,751	7,273,724,249	652,975,339	58
2014		8,554,585,000	475,439,245	8,079,145,755	671,506,937	62
2015		9,243,010,000	510,833,790	8,732,176,210	694,954,852	65
2016		9,186,095,000	515,292,195	8,670,802,805	714,132,356	62
2017	\$	9,437,830,000	\$ 526,223,870	\$ 8,911,606,130	\$ 720,784,303	63

Metropolitan Transportation Commission
Pledged-Revenue Coverage (unaudited)
By Fiscal Year

Table 11

Fiscal Year	Toll Revenue Bonds			Debt Service		Coverage
	Toll Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest **	
2008	\$ 477,377,104	\$ 101,090,539	\$ 376,286,565	\$ 42,620,000	\$ 191,859,414	1.60
2009	470,136,376	101,572,555	368,563,821	40,865,000	197,742,351	1.54
2010*	466,085,582	105,760,787	360,324,795	35,345,000	243,502,281	1.29
2011*	597,361,947	117,390,258	479,971,689	36,990,000	322,072,699	1.34
2012	625,863,157	119,167,770	506,695,387	38,695,000	333,551,860	1.36
2013	652,975,339	136,394,953	516,580,386	40,540,000	328,418,435	1.40
2014	671,506,937	149,382,450	522,124,487	46,165,000	373,729,994	1.24
2015	694,954,852	150,674,360	544,280,492	48,195,000	360,391,933	1.33
2016	714,132,356	149,654,060	564,478,296	56,915,000	371,776,680	1.32
2017	\$ 720,784,303	\$ 165,217,440	\$ 555,566,863	\$ 54,835,000	\$ 381,073,698	1.27

* Fiscal years 2010 and 2011 have been revised in accordance with the implementation guidance in GASB Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance contained in Pre November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Fiscal years 2008 and 2009 have not been restated as permitted by the standards.

**Net of Build America Bonds (BABs) interest subsidy (starting from fiscal year 2010).

Metropolitan Transportation Commission
Miscellaneous Statistics (unaudited)
June 30, 2017

Table 12

Date of Incorporation	1970
Form of Government	Commissioners with Appointed Executive Director
Number of Commissioners	18 Voting and 3 Non-Voting Members
Number of Employees (Approved Positions)	232
Type of Tax Support	3.5% of TDA Sales Tax
Region in Which Commission Operates	San Francisco Bay Area San Jose, San Francisco & Oakland Combined Statistical Area including San Benito & Santa Cruz
Number of Counties in the Region	9
Area of Authority in Square Miles	6,980
Population of Region in Which Commission Operates	7,714,638
Number of Toll Bridges in the Region	8
Traffic for All Toll Bridges - Number of Vehicles (excluding Golden Gate Bridge, Highway and Transportation District)	141,788,456
Toll Revenues (excluding Golden Gate Bridge, Highway and Transportation District)	\$720,784,303
Number of Call Boxes in the Region	1,024

Metropolitan Transportation Commission
Demographic Statistics for Nine San Francisco Bay Area Counties (unaudited)
Last Ten Calendar Years

Table 13

Year	Population ¹	Per Capita Income ^{2, 5}	Median Age ^{2, 5}	School Enrollment ³	Unemployment Rate ⁴
2008	7,301,080	N/A	N/A	974,089	5.81 %
2009	7,375,678	N/A	N/A	978,117	10.58 %
2010	7,459,858	31,076	39	979,876	10.77 %
2011	7,150,739	N/A	N/A	985,964	10.17 %
2012	7,249,563	N/A	N/A	994,207	8.69 %
2013	7,327,626	N/A	N/A	1,004,436	6.69 %
2014	7,420,453	N/A	N/A	1,013,055	5.34 %
2015	7,510,942	N/A	N/A	1,019,853	4.20 %
2016	7,649,565	N/A	N/A	1,021,840	4.24 %
2017	7,714,638	N/A	N/A	1,022,684	3.65 %

Data Sources

¹ State of California, Dept. of Finance, Demographic Research Unit

² Bureau of Census

³ California Department of Education

⁴ State of California, Employment Development Department - every ten years

⁵ Bureau of Census conducts survey every ten years for the Median Age and Per Capita Income of the nine-county region as a whole.

N/A - Not Available

Metropolitan Transportation Commission
Ten Largest Employers (unaudited)
Fiscal Years 2017 and 2008

Table 14

<u>2017¹</u>			<u>2008²</u>		
Employer	Employees	Rank	Employer	Employees	Rank
Kaiser Permanente	40,132	1	Kaiser Permanente	28,966	1
City and County of San Francisco	28,846	2	City and County of San Francisco	26,656	2
University of California, San Francisco	24,304	3	University of California, Berkeley	21,009	3
University of California, Berkeley	23,000	4	University of California, San Francisco	18,200	4
Safeway Inc.	16,778	5	State of California	18,175	5
State of California	15,512	6	Safeway Inc.	16,479	6
Wells Fargo Bank	14,986	7	AT&T, Inc.	15,500	7
Stanford University	13,634	8	US Postal Service	15,492	8
United Airlines, Inc.	10,500	9	Wells Fargo Bank	14,546	9
Pacific, Gas and Electric	10,411	10	Stanford University	11,267	10

Data Sources

¹2017 Book of Lists, San Francisco Business Times

²2008 Book of Lists, San Francisco Business Times

Metropolitan Transportation Commission
Full-Time Equivalent Employees by Function (unaudited)
Last Ten Fiscal Years

Table 15

Functions	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental Activities										
General government	66	66	63	64	74	68	69	64	77	74
Transportation	67	67	67	67	64	73	76	76	83	79
Business-type Activities										
Toll bridge activities	33	33	33	34	33	34	41	54	58	64
Congestion relief	4	4	5	5	5	5	5	4	5	5
BAHA	-	-	-	-	-	-	-	3	6	10
	<u>170</u>	<u>170</u>	<u>168</u>	<u>170</u>	<u>176</u>	<u>180</u>	<u>191</u>	<u>201</u>	<u>229</u>	<u>232</u>

Metropolitan Transportation Commission
Ratio of Retiree Medical Premium to Covered Payroll (unaudited)
By Fiscal Year

Table 16

Fiscal Year	Retiree Premiums	Covered Payroll*	% of Covered Payroll
2008	\$ 428,810	\$16,122,962	2.66%
2009	452,003	16,711,761	2.70%
2010	501,102	17,011,660	2.95%
2011	562,678	17,417,779	3.23%
2012	632,904	17,799,482	3.56%
2013	679,688	18,966,022	3.58%
2014	658,421	20,191,937	3.26%
2015	743,290	22,111,218	3.36%
2016	763,647	23,713,316	3.22%
2017	776,100	27,772,133	2.79%

* From MTC records